FLIWAY GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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FLIWAY GROUP LIMITED

COMPANY DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2015

NATURE OF BUSINESS	Local and Linehaul Carriers International Freight Forwarders Third Party Logistics Providers
REGISTERED OFFICE	66 Westney Road Mangere Auckland, New Zealand
BOARD OF DIRECTORS	Craig Stobo Duncan Hawkesby Alan Issac
AUDITORS	Deloitte Auckland
BANKERS	ANZ Bank New New Zealand Limited
SOLICITORS	Bell Gully Auckland
HEAD OFFICE	66 Westney Road Mangere Auckland

FLIWAY GROUP LIMITED

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

Disclosure to Shareholders

The Directors present the consolidated financial statements of Fliway Group Limited for the year ended 30 June 2015.

The Directors are responsible for the preparation of the consolidated financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly the financial position of the Group as at 30 June 2015 and the results of their operations and cash flows for the year ended 30 June 2015.

The Directors consider the consolidated financial statements of the group have been prepared using accounting policies appropriate to the Groups' circumstances. These policies have been consistently applied and supported by reasonable and prudent judgments and estimates, and all applicable New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards have been followed.

The Directors have responsibility for ensuring that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The Directors have the responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This annual report is dated 27th August 2015 and signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Directors

……………………………………….	……………………………………….
DIRECTOR Duncan Hawkesby	DIRECTOR Alan Isaac

FLIWAY GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 ($'000)	2014 ($'000)
Revenue from operating activities		84,169	81,511
Total operating revenue		84,169	81,511
Disbursement costs		(22,515)	(22,489)
Freight costs		(4,530)	(3,780)
Depreciation and amortisation	*(9)(10)*	(2,030)	(1,445)
Rental and leasing charges		(6,997)	(6,717)
Personnel costs	*(2)*	(28,876)	(27,497)
Vehicle expenses		(6,552)	(7,099)
Other operating expenses	*(3)*	(9,210)	(6,451)
Operating profit before financing expenses		3,459	6,033
Net financing expenses	*(6)*	(1,201)	(652)
Share of joint venture profit	*(21)*	1,147	925
Profit before income tax		3,405	6,306
Income tax expense	*(5)*	(1,215)	(1,520)
Net profit and total comprehensive income for the year, net of tax		2,190	4,786
Earnings per share			
Basic and diluted earnings (in cents)	*(18)*	5.5	12.6

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

FLIWAY GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Issued Capital ($'000)	Retained Earnings ($'000)	Total ($'000)
Balance at 1 Jul 13		5,000	14,005	19,005
Net profit and total comprehensive income		-	4,786	4,786
Balance at 30 Jun 14		5,000	18,791	23,791
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)
Net profit and total comprehensive income		-	2,190	2,190
Balance at 30 Jun 15		8,769	20,981	29,750

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

FLIWAY GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 ($'000)	2014 ($'000)
Current assets			
Cash at bank and on hand		6,837	8,090
Accounts receivable	*(7)*	9,208	10,734
Related party receivables	*(19)*	577	492
Prepaid expenses		468	362
Derivative financial instruments	*(27)*	-	34
Total current assets		17,090	19,712
Non-current assets			
Deferred taxation asset	*(8)*	557	388
Property, plant and equipment	*(9)*	10,438	8,045
Intangibles	*(10)*	334	529
Investment in joint venture	*(21)*	1,658	1,461
Goodwill	*(11)*	23,046	23,046
Total non-current assets		36,033	33,469
Total assets		53,123	53,181
Current liabilities			
Accounts payable & accrued expenses	*(12)*	5,757	5,078
Provisions	*(13)*	727	554
Related party payables	*(19)*	14	35
Employee benefits		1,158	1,047
Taxation payable		448	415
Derivative financial instruments	*(27)*	269	-
Interest-bearing loans	*(15)*	-	19,292
Unsecured loan (D Hawkesby)	*(19)*	-	2,436
Unsecured loan (D & G Hawkesby Trust)	*(19)*	-	533
Total Current liabilities		8,373	29,390
Non-current liabilities			
Interest-bearing loans	*(15)*	15,000	-
Total non-current liabilities		15,000	-
Total liabilities		23,373	29,390
Net assets		29,750	23,791
Equity			
Issued capital	*(14)*	8,769	5,000
Retained earnings	*(25)*	20,981	18,791
Total equity		29,750	23,791

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

FLIWAY GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 ($'000)	2014 ($'000)
Cash flows from operating activities			
Receipts from customers		86,368	82,133
Interest received		98	197
Receipts from joint venture		5,867	13,678
Payments to suppliers and employees		(84,398)	(88,425)
Interest paid		(955)	(938)
Income taxes paid		(1,319)	(1,384)
Net cash generated by operating activities	*(4)*	5,661	5,261
Cash flows from investing activities			
Dividend received from joint venture		919	837
Sale of property, plant and equipment and intangible assets		264	297
Payments for property, plant and equipment and intangible assets		(4,605)	(3,714)
Net cash used in / provided by investing activities		(3,422)	(2,580)
Cash flows from financing activities			
Repayment of related party borrowings		(2,969)	(400)
Repayment of redeemable preference shares		(5,000)	-
Equity raised from IPO		9,040	-
Issue costs associated with new shares		(271)	-
Repayment of borrowings		(4,292)	-
Net cash used in financing activities		(3,492)	(400)
Net increase (decrease) in cash and cash equivalents		(1,253)	2,281
Cash and cash equivalents at the beginning of the year		8,090	5,809
Cash and cash equivalents at the end of the year		6,837	8,090

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

Statement of compliance

Fliway Group Limited (the "Company") is a profit oriented company registered under the Companies Act 1993 and domiciled and incorporated in New Zealand. Its principal activities are transportation of goods, customer logistics solutions and freight forwarding. The Company listed on the New Zealand Stock Exchange on 9 April 2015 and is an FMC Reporting Entity under the Financial Market Conduct Act 2013 and Financial Reporting Act 2013.

The consolidated financial statements are presented for the company and its subsidiaries and joint venture company (together the "Group") for the year ended 30 June 2015. The financial statements were authorised for issue by the Directors on 27th August 2015.

Basis of preparation

The consolidated 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). The Company is a FMC reporting entity under Financial Market Conduct Act 2013 and is a Tier 1 for-profit entity as defined in the External Reporting Board (XRB) Standard A1.

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 various 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 in note 1.

The consolidated financial statements have been prepared on a historical 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.

Going concern

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.

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

The following standards and amendments were adopted by the group in the preparation of these financial statements :

> Annual Improvements to NZ IFRSs 2010 - 2012 Cycle;
> Annual Improvements to NZ IFRSs 2011 - 2013 Cycle;
> Amendments to NZ IAS 32 Offsetting Financial Assets and Financial Liabilities; and
> Amendments to FRS-42 Prospective Financial Statements.

The adoption of these standards did not have a material effect on the Group's financial statements.

Standards and amendments, which are available for early adoption and may impact the financial statements of the Group in future periods but that have not been applied by the Group in the preparation of these financial statements include :

> NZ IFRS 9 Financial Instruments;
> NZ IFRS 15 Revenue from Contracts with Customers;
> Equity Method in Separate Financial Statements (Amendments to NZ IAS 27);
> 2014 Omnibus Amendments to NZ IFRSs;
> Annual Improvements to NZ IFRSs 2012-2014 Cycle;
> Disclosure Initiative (Amendments to NZ IAS 1);
> Amendments to NZ IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations; and
> Amendments to NZ IAS 16 and NZ IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.

The Group have not yet performed a detailed analysis to determine the impact on the financial statements of adopting these standards.

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.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

(a) Consistency of application

The accounting policies have been applied consistently throughout the Group and throughout the year for the purposes of this financial report.

(b) Consolidation of subsidiaries

Subsidiaries are those entities that are controlled by the Company. Control is achieved when the Company;

> has power over the investee;
> is exposed, or has rights, to variable returns from its involvement with the investee; and
> has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group's financial statements incorporate the financial statements of the Company and its subsidiaries, which have been consolidated using the purchase method. Refer to policy (c) Business Combinations.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

All intercompany transactions, balances and unrealised profits are eliminated on consolidation.

(c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at the fair value, except that:

> deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with NZ IAS 12 *Income Taxes* and NZ IAS 19 *Employee Benefits* respectively.

(c) Business combinations (cont).

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as an acquisition gain.

(d) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with NZ IFRS 5 *Assets held for sale and discontinued operations*. Under the equity method, an investment in an associate or 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 associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or 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. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the profit or loss in the period in which the investment is acquired.

(d) Investments in associates and joint ventures (cont).

The requirements of NZ IAS 39 *Financial Instruments : Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with NZ IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with NZ IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit and loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group's joint venture is United Parcel Service - Fliway (NZ) Limited.

(e) Goodwill on acquisition

Goodwill arising on the acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the business recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss relating to goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of a cash-generating unit the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Statement of comprehensive income

Revenue
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that 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 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.

Interest Received
Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Interest Expense
Interest expense is recognised using the effective interest method.

(g) Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss
Financial assets in this category are either financial assets held for trading or financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

i. it has been acquired principally for the purpose of selling in the near future; or
ii. it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
iii. it is a derivative that is not designated and effective as a hedging instrument.

The Group does not apply hedge accounting.

Financial assets classified as fair value through profit or loss upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Group will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(h) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Debt is classified as current unless the Group has the unconditional right to defer settlement of the debt for at least 12 months after the balance sheet date.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the borrowings, or where appropriate, a shorter period, to the net carrying amount of the borrowings.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

(i) Property, plant and equipment

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 properties under construction, 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	1.0-67.0%
Furniture and fittings	9.0-60.0%
Vehicles	9.5-39.6%
Office equipment	14.4-60.0%

The depreciation method and the depreciation rates are reviewed at the end of each reporting period. 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.

(j) Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated 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 and licences	20.0-60.0%

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.

(k) Taxation

Income tax expense
Income tax expense represents the sum of current tax and deferred tax.

Current tax
Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than as a result of a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period(s) when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Accounts payable

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits that are expected to be settled within 12 months are measured at their nominal values using the current remuneration rate.

Provisions made in respect of employee benefits are all expected to be settled within 12 months.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(p) Leases

Operating leases
Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. Benefits received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(q) Derivative financial instruments

The Group enters into interest rate swap and option contracts to manage its exposure to interest rate movements on its term loans, refer note 22(ii).

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. The Group has not adopted hedge accounting.

(r) Impairment of tangible and intangible assets other than goodwill

At each financial year end, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(s) Segmental Reporting

The determination of the Group's operating segments and the information reported for the operating segments is based on the management approach as set out in NZ IFRS 8 *Operating Segments* . The Group's Managing Director has been identified as the Group's chief operating decision maker for the purpose of applying NZ IFRS 8.

(t) Cash flow

The following are the definitions of terms used in the Statement of Cash Flows:

> cash is cash on hand, current accounts in banks and short term deposits with a maturity period of up to 3 months;

> investing activities are those activities relating to acquisition, holding and disposal of property, plant and equipment and of investments not falling within the definition of cash, and include the purchase and sale of interests in other entities;

> financing activities are those activities which result in changes in the size and the composition of the capital structure. This includes both equity and debt; and

> operating activities include all transactions and other events that are not investing or financing activities.

(u) Share capital

Ordinary shares and preference shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Share capital is recognised at the fair value of the consideration received for the issue of shares, net of direct issue costs. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Transaction costs related to the listing of new shares and the simultaneous listing of existing shares on the NZX are allocated to those shares on a proportionate basis. Incremental costs directly attributable to the listing of existing shares are not considered costs of an equity instrument as no equity instrument is issued and consequently costs are recognised as an expense in the profit or loss when incurred. Incremental costs directly attributable to the issue of new share capital are recognised directly in equity as a reduction of the share proceeds received.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1 Significant accounting judgements and key estimates and assumptions

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions and the differences may be material. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Significant accounting judgements

United Parcel Service-Fliway is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, United Parcel Service-Fliway is classified as a joint venture of the Group.

Key estimates and assumptions

Estimated impairment of non financial assets excluding goodwill

Non-financial assets (including property, plant and equipment, intangible assets and investment in joint venture company) are reviewed at each reporting date to determine whether there are any indicators that the carrying amount may not be recoverable.

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 2015 was $23,046k (2014: $23,046k). Details of the impairment loss testing calculations are provided in note 11.

2 Personnel expenses

	2015 ($'000)	2014 ($'000)
Salaries and wages	24,127	22,870
Defined contribution plan	515	450
Other employee benefits	4,199	4,177
Directors' fees	35	-
	28,876	27,497

3 Other operating expenses

Other operating expenses include the following items:	2015 ($'000)	2014 ($'000)
IPO offer costs excluding auditors fees	1,445	-
Fees paid to auditors - IPO investigating and review	590	-
Fees paid to auditors - audit	91	74
Fees paid to auditors - taxation advice and tax return assistance	27	26
Fees paid to auditors - due diligence services	5	-
Loss on disposal - property/plant/equipment/intangibles	112	30
Impairment loss on receivables	86	7
Foreign exchange (gain)	(87)	(8)
System maintenance	1,006	1,155
Other expenses	5,935	5,167
	9,210	6,451

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

	2015 ($'000)	2014 ($'000)
Net profit after tax	2,190	4,786
Loss on sale or disposal of non current assets	112	30
Depreciation and amortisation	2,030	1,445
Share of joint venture net profit	(1,147)	(925)
Decrease / (increase) in deferred tax assets	(169)	30
Increase / (decrease) in interest bearing liabilities	-	30
Changes in working capital		
(Increase) / Decrease in assets:		
Accounts receivable	1,526	(503)
Prepaid expenses	(106)	(39)
Related party receivables	(85)	933
Increase / (decrease) in liabilities:		
Current payables and accruals	679	(765)
Current provisions	173	278
Current employee benefits	111	36
Related party payables	(21)	5
Derivative financial instruments	303	(186)
Current tax	33	43
Classified as investing activities	32	63
Net cash generated by operating activities	5,661	5,261

5 Income tax expense

	2015 ($'000)	2014 ($'000)
Tax expense / (benefit) comprises:		
Current tax	1,387	1,490
Deferred tax	(170)	30
Under / (over) provision in previous years	(2)	-
Income tax expense for the year	1,215	1,520
Reconciliation of effective tax rate		
Profit before income tax	3,405	6,306
Income tax using company tax rate 28%	953	1,765
Non-assessable income	(321)	(257)
Non-deductible expenses	585	12
Under / (over) provision in previous years	(2)	-
	1,215	1,520

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

6 Net financing expenses

	2015 ($'000)	2014 ($'000)
Financial expenses		
Interest expense on bank borrowings	(955)	(938)
Net fair value unrealised (loss) / gain on interest rate swap / options	(303)	185
Net fair value realised (loss) / gain on interest rate swap / options	(41)	(96)
	(1,299)	(849)
Financial income		
Interest income	98	197
	98	197
Net financing expenses	(1,201)	(652)

Interest is payable monthly in arrears, during the year the interest rate ranged between 5.32% and 5.60% per annum (2014: 4.58% and 5.32%) excluding the impact of any interest rate swaps / options.

7 Accounts receivable

	2015 ($'000)	2014 ($'000)
Trade Receivables	9,289	10,747
Allowance for doubtful debts	(81)	(13)
	9,208	10,734
Ageing of past due but not impaired trade receivables		
31-90 days	184	429
91 days +	158	526
	342	955

Allowance for doubtful debts	2015 ($'000)	2014 ($'000)
Opening balance	13	16
Impairment losses recognised on receivables	108	34
Amounts written off during the year as uncollectable	(18)	(10)
Amounts recovered during the year	7	6
Impairment losses reversed	(29)	(33)
Balance at end of the year	81	13
Ageing of impaired trade receivables		
31-90 days	44	4
91 days +	37	9
Total	81	13

The allowance for doubtful debts in relation to trade receivables is provided for based on estimated irrecoverable amounts determined by reference to current customer circumstances and past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. Trade receivables past due are provided for based on estimated irrecoverable amounts determined by past default experience. In the current year, the Group has recognised a loss of $86,000 in respect of bad and doubtful debts (2014: loss $7,000). This is recorded within 'other operating expenses' in the profit or loss.

8 Deferred tax

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

2014	Opening balance ($'000)	Charged to income ($'000)	Closing Balance ($'000)
Temporary differences			
Doubtful debts	5	4	9
Holiday liability	200	19	219
Provisions	213	(53)	160
	418	(30)	388

9 Property, plant and equipment

2015	At Cost ($'000)	Accumulated Depreciation ($'000)	Net Book Value ($'000)	Depreciation ($'000)
Office equipment	1,741	(1,533)	208	98
Furniture and fittings	2,220	(1,685)	535	78
Plant and equipment	2,453	(1,555)	898	142
Vehicles	16,782	(8,519)	8,263	1,511
Capital work in progress	534	-	534	-
	23,730	(13,292)	10,438	1,829

2014	At Cost ($'000)	Accumulated Depreciation ($'000)	Net Book Value ($'000)	Depreciation ($'000)
Office equipment	2,247	(2,045)	202	95
Furniture and fittings	2,151	(1,607)	544	85
Plant and equipment	2,425	(1,478)	947	118
Vehicles	14,957	(8,737)	6,220	951
Capital work in progress	132	-	132	-
	21,912	(13,867)	8,045	1,249

Cost or valuation	Office equipment ($'000)	Furniture and fittings ($'000)	Plant and equipment ($'000)	Vehicles ($'000)	Capital work in progress ($'000)	Total ($'000)
Opening balance 1 July 2013	2,272	2,186	2,248	13,821	-	20,527
Additions	101	42	195	2,847	132	3,317
Disposals	(126)	(77)	(18)	(1,711)	-	(1,932)
Balance at 30 June 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

Accumulated depreciation and impairment	Office equipment ($'000)	Furniture and fittings ($'000)	Plant and equipment ($'000)	Vehicles ($'000)	Capital work in progress ($'000)	Total ($'000)
Opening balance 1 July 2013	(2,059)	(1,613)	(1,377)	(9,229)	-	(14,278)
Eliminated on disposal of assets	109	91	17	1,443	-	1,660
Depreciation expense	(95)	(85)	(118)	(951)	-	(1,249)
Balance at 30 June 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)

Assets pledged as security.

Vehicles with a carrying value of $8.3m as at 30 June 2015 (30 June 2014: $6.2m) have been pledged to secure borrowings of the Group, refer to note 15. 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.

10 Intangibles

2015	At Cost ($'000)	Accumulated Amortisation ($'000)	Net Book Value ($'000)	Amortisation ($'000)
Computer software and licences	1,775	(1,441)	334	201
	1,775	(1,441)	334	201

2014	At Cost ($'000)	Accumulated Amortisation ($'000)	Net Book Value ($'000)	Amortisation ($'000)
Computer software and licences	2,118	(1,656)	462	196
Customer list - Logic Distribution Ltd	67	-	67	-
	2,185	(1,656)	529	196

Cost or valuation

	Computer software and licences ($'000)	Customer list ($'000)	Total ($'000)
Opening balance 1 July 2013	2,342	67	2,409
Additions	344	-	344
Disposals	(568)	-	(568)
Balance at 30 June 2014	2,118	67	2,185
Additions	88	-	88
Disposals	(431)	(67)	(498)
Balance at 30 June 2015	1,775	-	1,775

Accumulated amortisation and impairment

	Computer software and licences ($'000)	Customer list ($'000)	Total ($'000)
Opening balance 1 July 2013	(2,025)	-	(2,025)
Eliminated on disposal of assets	565	-	565
Amortisation expense	(196)	-	(196)
Balance at 30 June 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)

11 Goodwill

	2015 ($'000)	2014 ($'000)
Cost	23,046	23,046
Accumulated impairment losses	-	-
	23,046	23,046

Cost	2015 ($'000)	2014 ($'000)
Balance at beginning of year	23,046	23,046
Movements during the year	-	-
Balance at end of year	23,046	23,046

Accumulated impairment losses	2015 ($'000)	2014 ($'000)
Balance at beginning of year	-	-
Movements during the year	-	-
Balance at end of year	-	-

Goodwill (cont).

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:
>Domestic - moving and storing freight within New Zealand
>International - moving freight between countries

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, as follows:

	2015 ($'000)	2014 ($'000)
Domestic	19,426	19,426
International	3,620	3,620
	23,046	23,046

Domestic
The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial year 2016 financial forecasts approved by the Directors, grown annually by a 2% growth rate per annum for a five-year forecast period. A discount rate of 10% per annum (2014: 10% per annum) was used.
Cash flow projections during the five-year forecast period are based on similar gross margins and cost price inflation throughout. The cash flows beyond that five-year period have been extrapolated using a steady 2% (2014: 2%) per annum growth rate. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

International
The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial year 2016 financial forecasts approved by the Directors, grown annually by a 2% growth rate per annum for a five-year forecast period. A discount rate of 10% per annum (2014: 10% per annum) was used.
Cash flow projections during the five-year forecast period are based on similar gross margins and cost price inflation throughout. The cash flows beyond that five-year period have been extrapolated using a steady 2% (2014: 2%) per annum growth rate. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The key assumptions used in the value in use calculations for Domestic and International cash-generating units are as follows:

Forecast revenue	Based on forecast revenue for the first year then a 2% per annum growth. The values assigned to the assumption reflect past experience and the Directors believe the growth rate per year for the next five years is reasonably achievable.
Forecast gross margin	Average gross margins achieved in the last period have been used. This reflects past experience and the Directors believe them to be reasonably achievable.
Forecast price inflation	Based on forecast costs for the first year, then consumer price indices 2 year average used in future periods. The values assigned to the key assumption are consistent with external sources of information.

12 **Accounts payable**	2015 ($'000)	2014 ($'000)
Trade payables	2,208	2,644
Accrued expenses	3,135	2,136
Goods and services tax (GST) payable	414	298
	5,757	5,078

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 42 days (41 days as at 30 June 2014).

13 **Provisions**	2015 ($'000)	2014 ($'000)
Opening Balance	554	276
Release of previous year provisions	(245)	(133)
Provisions recognised during financial year	1,915	1,190
Provisions satisfied during financial year	(1,497)	(779)
	727	554

All provisions represent the Directors' best estimate of the future sacrifice of economic benefits required under the Group's operational policies and procedures. These estimates have been made on the basis of historical data trends. All amounts are expected to be settled within the next 12 months.

14 **Issued Capital**	Issued Capital 2015 (Shares)	Issued Capital 2015 ($'000)	Issued Capital 2014 (Shares)	Issued Capital 2014 ($'000)
Redeemable preference shares				
Balance at beginning of the year	5,000,000	5,000	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	-	-	5,000,000	5,000
Ordinary shares				
Balance at beginning of the year	102	0	102	0
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	102	0
	45,437,910	8,769	5,000,102	5,000

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.

15 Interest-bearing loans

	2015 ($'000)	2014 ($'000)
Current - secured		
ANZ loan	-	19,292
Non-current - secured		
ANZ loan	15,000	-

Flexible interest rate term facility matured on 6 October 2014 and was extended for another 3 year term, refer to note 22 (iii). The ANZ holds security over all vehicles of the Group, refer to note 9.

16 Imputation credits

	2015 ($'000)	2014 ($'000)
Imputation credits available directly and indirectly to shareholders of the Group	811	7,825

Imputation credit accounts are only available to carry forward if shareholders continuity is maintained and are subject to Inland Revenue Department approval. Due to the public listing and resulting significant shareholding change on 9 April 2015 imputation credits of $8.716m were foregone.

17 Commitments

Operating leases	2015 ($'000)	2014 ($'000)
Obligations payable after balance date on non-cancellable leases are as follows:		
Within one year	7,038	6,670
1-5 years	9,422	9,038
5+ years	7,230	222
	23,690	15,930

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. 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

As at 30 June 2015 there are capital commitments for:	2015 ($'000)	2014 ($'000)
Maxicube dry freight full trailer	135	-
Warehousing SCE 10 implementation	283	-
	418	-

18 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.

	2015	2014
Profit after tax ($'000)	2,190	4,786
Weighted average number of ordinary shares	39,617,636	37,904,577
Basic and diluted earnings per share (in cents)	5.5	12.6

The shareholding conversion during the year has been applied retrospectively to 2014. The restatement ensures current and prior periods are comparable, as if the conversion was always in place.

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 2015 (2014: nil).

19 Related parties

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

Related Party	Nature of Transaction	Relationship	2015 ($'000)	2014 ($'000)
Transactions received / (paid) and outstanding balances receivable / (payable) between the Group and related parties:				
Transactions				
United Parcel Service - Fliway (NZ) Limited	Freight and logistics services provided	Joint Venture	4,155	3,671
United Parcel Service - Fliway (NZ) Limited	Freight services received	Joint Venture	(139)	(2)
United Parcel Service - Fliway (NZ) Limited	Recharge expenses	Joint Venture	952	893
United Parcel Service - Fliway (NZ) Limited	IATA and Customs expenses	Joint Venture	1,005	8,177
United Parcel Service - Fliway (NZ) Limited	Gross dividend payment	Joint Venture	950	899
Duncan Hawkesby	Unsecured loan repayment	Managing Director	(2,436)	(400)
D & G Hawkesby Trust	Unsecured loan repayment	Shareholder	(533)	-
Duncan Hawkesby	Remuneration and benefits	Managing Director	(122)	(120)
Craig Stobo	Remuneration	Director	(53)	-
Alan Issac	Remuneration	Director	(34)	-
Outstanding balances				
United Parcel Service - Fliway (NZ) Limited	Trade receivables	Joint Venture	577	493
United Parcel Service - Fliway (NZ) Limited	Trade payables	Joint Venture	(14)	(35)
Duncan Hawkesby	Unsecured loan	Managing Director	-	2,436
D & G Hawkesby Trust	Unsecured loan	Shareholder	-	533

The unsecured loans from D Hawkesby and D & G Hawkesby Trust were repaid, accrued no interest, and as the loans were subordinated to the ANZ loan facility the bank approved the repayment.

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.

20 Investment in subsidiaries

Name	Principal Activities	Ownership + voting interest 2015	2014
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.

21 Investment in joint venture

Name	Principal Activities	Ownership + voting interest 2015	2014
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 2015 of United Parcel Service - Fliway (NZ) Limited have been used. New Zealand is the principal place of business for the joint venture.

	2015 ($'000)	2014 ($'000)
Carrying value of joint venture:		
Carrying value at beginning of period	1,461	1,435
Share of profit	1,147	925
Dividends received	(950)	(899)
Carrying value at end of period	1,658	1,461
The carrying value comprises		
Cost	182	182
Share of joint venture post-acquisition reserves	1,476	1,279
	1,658	1,461
Joint venture share of net surplus:		
Share of profit before taxation	1,593	1,284
Share of taxation expense	(446)	(359)
Share of profit or loss and total comprehensive income	1,147	925
Joint venture aggregate amounts:		
Current assets - cash	633	1,542
Current assets - trade debtors and related party receivables	4,650	2,996
Non-current assets	152	106
Total assets	5,435	4,644
Current liabilities - trade payables and accruals	2,049	1,544
Current liabilities - tax provision	71	131
Long-term liabilities	-	-
Total liabilities	2,120	1,675
Revenue	16,677	17,115
Interest income	19	22
Expenses	(13,492)	(14,552)
Depreciation and amortisation	(18)	(18)
Tax expense	(892)	(717)
Profit or loss and total comprehensive income	2,294	1,850

Reconciliation of the above summarised financial information to the carrying amount of interest in the joint venture recognised in the consolidated financial statements:

	2015 ($'000)	2014 ($'000)
Net assets of the joint venture	3,315	2,969
Ownership interest	50%	50%
	1,658	1,485
Other adjustments - prior year interest and tax adjustments not yet reflected by the Group	-	(24)
Carrying amount of the Group's interest in the joint venture	1,658	1,461

The joint venture has no commitments or contingent liabilities as at 30 June 2015 (2014: nil).

22. Financial Instruments

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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in NZ IAS 36.

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/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. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates. As at 30 June 2015 the current bank term loan interest rate was 5.36% (2014: 5.32%). The interest rate on bank debt is reset quarterly. At 30 June 2015 67% (2014: 52%) of Group interest bearing borrowings are on fixed rates of interest through the use of interest rate derivatives. All interest rate swaps / options expire 2 September 2018. Terms of the interest rate swaps are included in the table below.

Included in cash and cash equivalents are bank term deposits with a total balance of $3m (2014: $6m) as at 30 June 2015. The Group holds term deposits for up to 3 months earning an average interest rate as at 30 June 2015 of 4.17% (2014: 3.86%), and can draw on these funds at any time.

The following table details the Group's exposure to interest rate risk at balance sheet date.

As at 30 June 2015	Total ($'000)	Less than 1 month ($'000)	1-3 months ($'000)	3months - 1 year ($'000)	1-2 years ($'000)
Cash and Cash Equivalents	6,837	6,837	-	-	-
Interest-bearing loans	(15,000)	-	-	(15,000)	-

As at 30 June 2014	Total ($'000)	Less than 1 month ($'000)	1-3 months ($'000)	3months - 1 year ($'000)	1-2 years ($'000)
Cash and Cash Equivalents	8,090	8,090	-	-	-
Interest-bearing loans	(19,292)	-	-	(19,292)	-

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

	2015 %	2014 %
Interest-bearing loans	5.21%	4.86%
Cash and cash equivalents	1.97%	2.83%

Interest rate sensitivity:

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative and derivative financial instruments at the end of the reporting period.

For floating rate non-derivative instruments, the analysis is prepared assuming the amounts of the assets and liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's profit for the year ended 30 June 2015 would decrease/increase by $82,000 (2014: $112,000 decrease/increase). This is mainly attributable to the Group's exposure to interest rates on its variable rate instruments which include short term deposits (included in cash and cash equivalents) and interest bearing loans.

For fixed rate derivative instruments, the analysis is prepared assuming the amounts of notional principal value at the end of the reporting period existed for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 30 June 2015 would increase by $304,000 (2014: $244,000 increase). If interest rates had been 1% lower and all other variables were held constant, the Group's profit for the year ended 30 June 2015 would decrease by $364,000 (2014: $302,000 decrease).This is attributable to the Group's exposure to interest rates on its interest rate swap / options derivatives.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps 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)	
	2015 %	2014 %	2015 ($'000)	2014 ($'000)	2015 ($'000)	2014 ($'000)
2 - 5 years	4.57%	4.57%	10,000	10,000	(269)	34

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.

The terms of the interest rate swaps reflect the Group's expectation of the Group's interest rate exposures. In deciding the duration of the swaps the Group takes into consideration the likely capital structure make up in the near future and the Group's expectation of interest rate movements in the market. On that basis, the Group determined a maturity date of September 2018 for the interest rate swaps was appropriate.

Net gains/losses in relation to movements in the values of the interest rate swaps are disclosed in note 6. The Group recognised $41,000 of realised losses (2014: $96,000) and $303,000 of unrealised losses (2014: $185,000 unrealised gains) on the interest rate swaps during the reporting period. The Group does not apply hedge accounting.

Financial risk management objectives (cont).

(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.

Unsecured loans from related parties below refer to D Hawkesby and the D & G Hawkesby Trust loans.

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

As at 30 June 2015	Weighted average effective interest rate %	Balance Sheet ($'000)	Contractual Cash Flow ($'000)	Less than 1 month ($'000)	1-3 months ($'000)	3 months - 1 year ($'000)	1-5 years ($'000)
Accounts Payable	-	5,343	5,343	5,343	-	-	-
Related party payable	-	14	14	14	-	-	-
Interest-bearing loan	5.21%	15,000	16,834	65	130	587	16,052
Derivative financial instruments	-	269	269	4	12	73	180

As at 30 June 2014	Weighted average effective interest rate %	Balance Sheet ($'000)	Contractual Cash Flow ($'000)	Less than 1 month ($'000)	1-3 months ($'000)	3 months - 1 year ($'000)	1-5 years ($'000)
Accounts Payable	-	4,780	4,780	4,780	-	-	-
Related party payable	-	35	35	35	-	-	-
Interest-bearing loan	4.86%	19,292	19,657	79	174	19,404	-
Unsecured loans from related parties	-	2,969	2,969	-	-	2,969	-

Financing facilities

	2015 ($'000)	2014 ($'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	4,000
	1,500	4,000
Term loan facility:		
Amount used	15,000	19,300
Amount unused	-	-
	15,000	19,300
Total funding available:		
Amount used	15,000	19,300
Amount unused	3,000	5,500
	18,000	24,800

A new facility agreement was signed during the year with a facility of $20.025m, including $15m of term facility, $1.5m of revolving credit facility, $1.5m overdraft facility, $1.475m financial guarantee facility, $0.3m credit card facility and $0.25m clean credit facility. The new term facility with a term of 3 years was drawn down on 5 November 2014.

(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. Accounts receivable balances are monitored on an ongoing basis.

Financial risk management objectives (cont).

(iv) Credit risk management (cont).

The joint venture is a profitable business that is solvent and the Directors believe there is no significant 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.

The maximum exposure to credit risk at balance date is as follows:

	2015 ($'000)	2014 ($'000)
Trade receivables	9,208	10,734
Cash at bank and on hand	6,837	8,090
Derivative financial assets	-	34
Related party receivables	577	492
	16,622	19,350

(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. During the year AUD were purchased in advance of a major software upgrade. Net foreign exchange gain for 2015 is $87,000 (2014: $8,000 gain). The sensitivity of the Group’s profit or loss and equity to fluctuations in foreign currencies is not expected to be material.
The table below illustrates the foreign currency make-up of the Group’s receivables and payables balances.

	2015 ($'000)	2014 ($'000)
Foreign currency receivables as at 30 June:		
USD	235	238
AUD	133	67
Foreign currency payables and accrued expenses as at 30 June:		
USD	(112)	(295)
AUD	(133)	(146)
Other (in NZD)	(30)	(22)

(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 15, inter-company receivables and payables as disclosed in note 19, cash and cash equivalents, and equity, comprising issued capital and retained earnings as disclosed in notes 14 and 25.

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 capital requirements. Key capital requirements are as follows:
>Interest cover ratio greater than 3.5
>Leverage ratio less than 3
>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 2014.

(vii) Financial instruments at fair value

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels one to three depending on the degree to which fair value is observable.

Refer to note 22(ii) for information on valuation methodology for level 2 financial instruments.

	LEVEL 1 ($'000)	LEVEL 2 ($'000)	LEVEL 3 ($'000)	TOTAL ($'000)
2015				
Derivatives classified as fair value through profit or loss	-	(269)	-	(269)
Total liabilities at fair value	-	(269)	-	(269)
2014				
Derivatives classified as fair value through profit or loss	-	34	-	34
Total assets at fair value	-	34	-	34

Financial risk management objectives (cont).

(viii) Categories of financial assets and financial liabilities

Group

As at 30 June 2015	Loans and Receivables ($'000)	Derivatives classified as fair value through profit or loss ($'000)	Financial liabilities at amortised cost ($'000)	Total ($'000)
Assets				
Cash and cash equivalents	6,837	-	-	6,837
Trade receivables	9,208	-	-	9,208
Related party receivables	577	-	-	577
Total financial assets	16,622	-	-	16,622
Liabilities				
Accounts payable & accrued expenses	-	-	5,343	5,343
Related party payable	-	-	14	14
Interest-bearing loans	-	-	15,000	15,000
Derivative financial instruments	-	269	-	269
Total financial liabilities	-	269	20,357	20,626

Group

As at 30 June 2014	Loans and Receivables ($'000)	Derivatives classified as fair value through profit or loss ($'000)	Financial liabilities at amortised cost ($'000)	Total ($'000)
Assets				
Cash and cash equivalents	8,090	-	-	8,090
Trade receivables	10,734	-	-	10,734
Related party receivables	492	-	-	492
Derivative financial instruments	-	34	-	34
Total financial assets	19,316	34	-	19,350
Liabilities				
Accounts payable & accrued expenses	-	-	4,780	4,780
Related party payable	-	-	35	35
Interest-bearing loans	-	-	19,292	19,292
Unsecured loans	-	-	2,969	2,969
Total financial liabilities	-	-	27,076	27,076

23 Subsequent events

A final dividend of 1.9 cents per share and a special dividend 0.5 cents per share was declared on 27 August 2015, totalling $1,090,510.

24 Contingent liabilities and assets

As at 30 June 2015 there remains a contingent liability in relation to a logistics claim, of $778,872 plus interest. The former customer has indicated its intention to pursue a claim under the dispute resolution terms of its contracts with Fliway which provide for mediation and/or arbitration. Fliway is defending the claim. Fliway has made a provision for the maximum potential liability that may result upon settling the claim.

As at 30 June 2015 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 have 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. However, claims against Fliway 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 Fliway recovers proceeds under its insurance policies. 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. At balance date no such claim has been made under the Selling Shareholder Indemnity.

25 Retained earnings

	2015 ($'000)	2014 ($'000)
Balance at beginning of the year	18,791	14,005
Total net profit for the year	2,190	4,786
Balance at end of the year	20,981	18,791

26 Compensation of key management personnel

The remuneration of Director's and other members of key management personnel during the year was as follows:

	2015 ($'000)	2014 ($'000)
Short-term benefits	1,549	1,433
Other long-term benefits	-	3
Termination Benefits	-	15
	1,549	1,451

27 Derivative financial instruments - fair value

	2015 ($'000)	2014 ($'000)
Interest rate swaps	(174)	28
Interest rate options	(95)	6
	(269)	34

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, refer to note 22(vii).

28 Segment Reporting

NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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 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.

The operating segments identified above also represent the Group's reportable segments. The reportable segments reflect the structure and internal reporting used by the managing director as the chief decision maker to assist strategic decision making and resource allocation.

Year ended 30 June 2015	Domestic ($'000)	International ($'000)	Joint Venture ($'000)	Head Office ($'000)	Inter-Segment ($'000)	Group ($'000)
Operating 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)	8,390	3,873	1,593	(6,662)	-	7,194
Other Segment Information						
Depreciation & Amortisation*	(1,772)	(99)	-	(160)	-	(2,030)
Share of joint venture profit	-	-	1,147	-	-	1,147
Share of joint venture interest, depreciation, tax	-	-	(446)	-	-	(446)
Disbursement costs	(2,836)	(19,868)	-	-	189	(22,515)
Personnel costs	(22,439)	(3,500)	-	(2,937)	-	(28,876)
System maintenance	(136)	(159)	-	(711)	-	(1,006)
Interest received*	-	-	-	98	-	98
Interest paid*	-	-	-	(955)	-	(955)
Property, plant, equipment and computer software additions*	(4,559)	(46)	-	(53)	-	(4,658)

Year ended 30 June 2014	Domestic ($'000)	International ($'000)	Joint Venture ($'000)	Head Office ($'000)	Inter-Segment ($'000)	Group ($'000)
Operating Revenue						
Sales to customers outside the Group	52,608	28,903	-	-	-	81,511
Inter-segment sales	197	15	-	-	(212)	-
Total revenue	52,805	28,918	-	-	(212)	81,511
Segment profit / (loss)	8,007	3,765	1,282	(4,264)	-	8,790
Other Segment Information						
Depreciation & amortisation*	(1,196)	(129)	-	(120)	-	(1,445)
Share of joint venture profit	-	-	925	-	-	925
Share of joint venture interest, depreciation, tax	-	-	(357)	-	-	(357)
Disbursement costs	(2,157)	(20,332)	-	-	212	(22,277)
Personnel costs	(21,418)	(3,484)	-	(2,595)	-	(27,497)
System maintenance	(143)	(142)	-	(870)	-	(1,155)
Interest received*	-	-	-	197	-	197
Interest paid*	-	-	-	(938)	-	(938)
Property, plant, equipment and computer software additions*	(3,177)	(23)	-	(461)	-	(3,661)

* Excluded from segment profit

	Domestic	International	Joint Venture	Head Office	Inter-Segment	Group
Statement of financial position as at 30 June 2015						
Segment Assets	35,802	7,619	2,235	7,467	-	53,123
Segment Liabilities	5,767	2,589	14	15,003	-	23,373
Statement of financial position as at 30 June 2014						
Segment Assets	34,375	8,353	1,953	8,500	-	53,181
Segment Liabilities	6,297	2,075	35	20,983	-	29,390

Reconciliation between segment profit and the Statement of Comprehensive Income	2015 ($'000)	2014 ($'000)
Segment profit	7,194	8,790
Share of joint venture profit	(1,147)	(925)
Gross up 50% joint venture interest, tax, depreciation**	(446)	(357)
Loss on disposal property/plant/equipment/intangibles	(112)	(30)
Depreciation and amortisation	(2,030)	(1,445)
Operating profit before financing expenses	3,459	6,033

The Group changed its basis of accounting for non interest finance charges and non-recurring costs, which are now included in 2015 segment profit. The impact on 2014 is a reduction of $111,000 segment profit in Head Office.

The Group uses segment profit to evaluate the operating performance of the business over time. In evaluating segment profit management makes adjustments for the impact of asset disposals and depreciation / amortisation and tax position. Adjustment is also made to back out the Group's share of the joint venture's profit and 50% share of the joint venture's interest income, depreciation / amortisation and tax expense.

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

The Group's top 5 customers contribute 31% (2014: 31%) of Group revenue, the total revenue of these customers is $26m (2014: $25m), this is included in the Domestic and International segments above.

** Gross up 50% joint venture interest, tax, depreciation derived as follows:	2015 ($'000)	2014 ($'000)
Interest income	(19)	(22)
Depreciation and amortisation	18	18
Tax expense	893	717
	892	713
Group share 50%	446	357

29 Comparison with Prospective Financial Information

(i) Prospective Consolidated Statement of Comprehensive Income

	2015 ($'000) Actual	2015 ($'000) Prospectus
Revenue from operating activities	84,169	85,265
Total operating revenue	84,169	85,265
Disbursement costs	(22,515)	(23,013)
Freight costs	(4,530)	(4,843)
Depreciation and amortisation	(2,030)	(2,055)
Rental and leasing charges	(6,997)	(7,054)
Personnel costs	(28,876)	(29,053)
Vehicle expenses	(6,552)	(6,894)
Other operating expenses	(9,210)	(9,346)
Operating profit before financing expenses	3,459	3,007
Net financing expenses	(1,201)	(1,089)
Share of joint venture profit	1,147	1,013
Profit before income tax	3,405	2,931
Income tax expense	(1,215)	(1,285)
Net profit and total comprehensive income for the year, net of tax	2,190	1,646

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

Explanation of variances:
Total comprehensive income at $2,190,000 is $544,000 higher than forecast. This is due to:
- strong margins and good cost management offseting lower than forecast revenue: and
- IPO offer costs were 19% less than forecast reflecting the lower share uptake and lower brokerage rate.

(ii) Prospective Consolidated Statement of Changes in Equity

	2015 ($'000) Actual	2015 ($'000) Prospectus
Balance at 1 Jul 14	23,791	23,791
Repayment of redeemable preference shares	(5,000)	(5,000)
Equity raised from IPO	9,040	9,300
Issue costs associated with new shares	(271)	(396)
Net profit and total comprehensive income	2,190	1,646
Balance at 30 Jun 15	29,750	29,341

Explanation of variances:
Total equity at 30 June 2015 is $409,000 higher than forecast. This is the result of the increase in comprehensive income being partially offset by lower equity raised from IPO.

Comparison with Prospective Financial Information (cont).

(iii) Prospective Consolidated Statement of Financial Position

	2015 ($'000) Actual	2015 ($'000) Prospectus
Current assets		
Cash at bank and on hand	6,837	1,773
Accounts receivable	9,208	11,216
Related party receivables	577	520
Prepaid expenses	468	421
Total current assets	17,090	13,930
Non-current assets		
Deferred taxation asset	557	379
Property, plant and equipment	10,438	10,132
Intangibles	334	353
Investment in joint venture	1,658	1,574
Goodwill	23,046	23,046
Total non-current assets	36,033	35,484
Total assets	53,123	49,414
Current liabilities		
Accounts payable & accrued expenses	5,757	5,479
Provisions	727	480
Related party payables	14	40
Employee benefits	1,158	1,078
Taxation payable	448	388
Derivative financial instruments	269	108
Total Current liabilities	8,373	7,573
Non-current liabilities		
Interest-bearing loans	15,000	12,500
Total non-current liabilities	15,000	12,500
Total liabilities	23,373	20,073
Net assets	29,750	29,341
Equity		
Issued capital	8,769	8,904
Retained earnings	20,981	20,437
Total equity	29,750	29,341

Explanation of variances:

The more significant changes in the consolidated statement of financial position were the increase in current assets and non-current liabilities.

The increase in current assets was mainly due to increased cash holding from lower than forecast debt repayment following the IPO. Accounts receivable reduction from stronger collections also converted into cash partly offset by additional capital expenditure.

The increase in non-current liabilities was due to retaining financing flexibility while meeting minimum bank debt repayment requirements.

Comparison with Prospective Financial Information (cont).

(iv) Prospective Consolidated Statement of Cash Flows

	2015 ($'000) Actual	2015 ($'000) Prospectus
Cash flows from operating activities		
Receipts from customers	86,368	86,751
Interest received	98	69
Receipts from joint venture	5,867	5,894
Payments to suppliers and employees	(84,398)	(87,791)
Interest paid	(955)	(976)
Income taxes paid	(1,319)	(1,272)
Net cash generated by operating activities	5,661	2,675
Cash flows from investing activities		
Dividend received from joint venture	919	869
Sale of property, plant and equipment and intangible assets	264	-
Payments for property, plant and equipment and intangible assets	(4,605)	(3,997)
Net cash used in / provided by investing activities	(3,422)	(3,128)
Cash flows from financing activities		
Repayment of related party borrowings	(2,969)	(2,969)
Repayment of redeemable preference shares	(5,000)	(5,000)
Equity raised from IPO	9,040	9,300
Issue costs associated with new shares	(271)	(396)
Repayment of borrowings	(4,292)	(6,800)
Net cash used in financing activities	(3,492)	(5,865)
Net increase (decrease) in cash and cash equivalents	(1,253)	(6,318)
Cash and cash equivalents at the beginning of the year	8,090	8,090
Cash and cash equivalents at the end of the year	6,837	1,773

Explanation of variances:
The improvement in the cash and cash equivalents at 30 June 2015 resulted from the increase in cash generated from operating activities, as a result of improved working capital, and the increased borrowings partly offset by higher capital expenditure.

Comparison with Prospective Financial Information (cont).

(v) Prospective Financial Performance by Segment

	2015 ($'000) Actual	2015 ($'000) Prospectus	($'000) Variance
Domestic			
Total revenue	55,984	56,534	(550)
Segment profit	8,390	7,907	483
Less:			
Depreciation & amortisation	(1,772)	(1,764)	(8)
Loss / (gain) on disposal - property/plant/equipment/intangibles	(40)	39	(79)
Operating profit before financing expenses	6,578	6,182	396

Explanation of variances:
The increase of $396,000 in Domestic operating profit resulted from better than forecast warehousing performance and lower than forecast transport costs offseting lower than forecast transport revenue.

	2015 ($'000) Actual	2015 ($'000) Prospectus	($'000) Variance
International			
Total revenue	28,374	28,822	(448)
Segment profit	3,873	3,946	(73)
Less:			
Depreciation & amortisation	(99)	(121)	22
Operating profit before financing expenses	3,774	3,825	(51)

Explanation of variances:
The decrease of $51,000 in International operating profit was due to lower than forecast revenue resulting from lower freight costs and volumes.

	2015 ($'000) Actual	2015 ($'000) Prospectus	($'000) Variance
Joint Venture			
Segment profit	1,593	1,416	177
Less:			
Gross up 50% joint venture interest, tax, depreciation	(446)	(403)	(43)
Share of joint venture profit	1,147	1,013	134

Explanation of variances:
The increase of $134,000 in the Joint Venture operating profit was due to higher than expected export revenue leading to a better result of the joint venture.

	2015 ($'000) Actual	2015 ($'000) Prospectus	($'000) Variance
Head Office			
Segment profit / (loss)	(6,662)	(6,762)	100
Less:			
Depreciation & amortisation	(160)	(170)	10
Loss / (gain) on disposal - property/plant/equipment/intangibles	(72)	(68)	(4)
Operating profit before financing expenses	(6,894)	(7,000)	106

Explanation of variances:
The decreased loss of $106,000 in Head Office resulted from lower than forecast IPO offer costs, partly offset with additional contingent liability provision, and other overheads.

	2015 ($'000) Actual	2015 ($'000) Prospectus	($'000) Variance
Group			
Total revenue	84,358	85,356	(998)
Inter-segment sales	(189)	(91)	(98)
Total revenue from customers outside the Group	84,169	85,265	(1,096)
Segment Profit	7,194	6,507	687
Less:			
Depreciation & amortisation	(2,030)	(2,055)	25
Share of joint venture profit	(1,147)	(1,013)	(134)
Gross up 50% joint venture interest, tax, depreciation	(446)	(403)	(43)
Loss / (gain) on disposal - property/plant/equipment/intangibles	(112)	(29)	(83)
Operating profit before financing expenses	3,459	3,007	452
Reconciliation to Prospectus:			
Share of joint venture profit	1,147	1,013	134
Net fair value (loss) / gain on interest rate swap / options	(344)	(182)	(162)
Operating profit before financing costs	4,262	3,838	424

The Group operating profit before financing expenses shown above excludes share of joint venture profit $1,013,000 and derivatives loss of $182,000. These were both shown in operating profit before finance costs in the prospectus, but have been adjusted to be consistent with 2015 actuals.

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 3 to 35, which comprise the consolidated statement of financial position as at 30 June 2015, 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 is responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determines 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, the provision of initial public offering services as investigating accountant, due diligence services 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 3 to 35 present fairly, in all material respects, the financial position of Fliway Group Limited and its subsidiaries as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants
27 August 2015
Auckland, New Zealand