FLIWAY GROUP LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

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SECTION ONE
HIGHLIGHTS

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$000's, AUDITED	FY15 ACTUAL	FY15 PFI[3]	VARIANCE %	FY14 ACTUAL	VARIANCE %
Sales Revenue	84,169	85,265	(1.3)%	81,511	3.3%
Operating Profit	3,459	3,007	15.0%	6,033	(42.7)%
Net Profit after Tax	2,190	1,646	33.0%	4,786	(54.2)%
Pro-Forma EBIT[1]	6,870	6,620	3.8%	6,835	0.5%
Pro-Forma EBITDA[2]	8,909	8,692	2.5%	8,289	7.5%

1. EBIT is earnings before interest and tax and is a non-GAAP measure and is reconciled on page 11
2. EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP measure and is reconciled on page 11
3. PFI is the prospective financial information included in the Prospectus dated 6 March 2015 (as amended on 19 March 2015)

SECTION TWO
GROUP PROFILE

SECTION TWO

GROUP PROFILE

Fliway is one of New Zealand's larger independent and locally owned specialised transport and logistics companies with a nationwide presence and strong global freight forwarding relationships.

Fliway's activities include transporting and warehousing freight in New Zealand and co-ordinating the movement of freight internationally, including arranging customs clearance and associated border clearance activities.

Fliway has a 50/50 joint venture (**UPS-Fliway**) for express package delivery with United Parcel Services (**UPS**), one of the world's largest package delivery companies.

Domestically, Fliway delivers over 2 million pieces of freight per annum and processes, on average, over 25,000 units of freight per day across 31,000 square metres of warehousing facilities. Fliway also handles approximately 9,500 international shipments and 100,000 customs clearances per annum.

From these services, Fliway generated revenue and Pro Forma EBITDA of $84.2 million and $8.9 million respectively for the 12 months ended 30 June 2015.

Fliway services over 1,000 customers across specialised domestic transport, warehousing and international freight forwarding. These services are provided by over 400 team members, a fleet of over 170 vehicles and a footprint of 11 branches and 5 warehouses across the country.

Fliway operates under two main divisions:

- Fliway Domestic (**Domestic**) – the warehousing and transportation of freight in New Zealand; and
- Fliway International (**International**) – the organising of transportation and border clearance for international freight.

Fliway also holds a 50% share in UPS-Fliway. UPS-Fliway delivers, or arranges the delivery of, express packages internationally.

FLIWAY DOMESTIC DIVISION

Fliway Domestic operates through two business units: Fliway Transport, which involves the transportation of freight nationwide; and Fliway Logistics, which provides warehousing and distribution services. Domestic freight is typically transported inter-city (Line-Haul) overnight using Fliway's truck and trailer fleet, with daily deliveries of smaller consignments using Fliway's fleet of smaller vehicles (Metro).

Fliway Logistics also provides warehousing and distribution services, including:

- racked and bulk storage;
- "reverse logistics" where Fliway manages product returns from retail locations back to Fliway's warehouse, including fault verification;
- "pick and pack" split case; and
- "spare parts logistics" where Fliway manages organisations' spare parts function.

Fliway Logistics operates from five facilities in Auckland (3), Wellington and Christchurch.

The service offerings of Fliway Logistics and Fliway Transport are complementary, affording opportunities for Fliway to provide one unit's services to the other unit's customers. This supports the growth of both units and the retention of customers.

FLIWAY INTERNATIONAL DIVISION

Fliway International provides inbound, outbound and "cross-trade"[1] international transport and border clearance services to customers. Goods are transported either by sea or air.

Fliway International arranges the transportation of freight domestically and internationally, using a combination of external freight providers and / or Fliway's domestic transportation fleet. Fliway does not deliver freight outside New Zealand, but has arrangements with a number of international parties to fulfill these services on behalf of Fliway's customers. Fliway's relationships also allow it to manage cross-trade[1] Freight Forwarding for its customers.

Fliway International has strong international agency relationships in all key trade routes. As an independent agency, Fliway is not restricted to any particular global network, which allows it to focus solely on securing the best outcome for its customers, based on price and the type of service an agent offers. Fliway International is one of New Zealand's largest customs brokers. It is consistently ranked amongst the top customs lodgers of entries by volume, performing approximately 100,000 clearances per annum. Fliway International's brokerage operation works six days per week and 52 weeks per year.

UPS-FLIWAY

Fliway commenced an agency relationship with UPS in 1988. Almost 10 years later, in 1998, Fliway and UPS formed UPS-Fliway. UPS is one of the world's largest package delivery companies, delivering 4.3 billion packages and documents in 2013. UPS provides services to 9.4 million customers a day across more than 220 countries and territories. UPS-Fliway is a separate entity owned 50/50 by Fliway and UPS. UPS-Fliway employs approximately 30 staff. Fliway and UPS have equal board representation and day-to-day operations are overseen by UPS management. Fliway Transport provides domestic deliveries and pickups for UPS-Fliway, and Fliway International provides customs brokerage services.

INFORMATION TECHNOLOGY

Fliway invests in information technology applications, selected to meet the needs of each division. Across the Group, Fliway has integrated IT systems which can link with customers' systems through EDI interfaces. Fliway has extensive EDI implementation expertise and has personnel who monitor and manage this, supported by external partners.

Fliway's EDI interfaces enable customers to access real-time track and trace and order status. There is the capability for these interfaces to be customised for individual customers to give them increased supply chain visibility, which should mean better planning, improved efficiency and lower costs for them.

- 1,900+ Registered web users
- Over 180 handheld devices with over 70,000 scans per day
- 300,000 database transactions per hour
- Over 450 users

1. "Cross-trade" is arranging the transport of goods where New Zealand is neither the country of origin or destination, for example between China and Australia.

SECTION TWO

GROUP PROFILE (CONTINUED)

GROWTH AND STRATEGY

Fliway's vision is to build a significant transport and logistics business operating in New Zealand, based on its specialised service offering, infrastructure and expertise to target sectors where there are opportunities for Fliway to provide a distinctive service and deliver increased earnings.

Fliway focuses on three specific avenues of growth:

OPTIMISING CAPACITY

Continuing to maximise operating leverage, including through using its capacity efficiently and gaining efficiencies from the use of technology.

GROWING EXISTING BUSINESS

Fliway is a leading provider of specialised transport and warehousing in a number of sectors. Fliway plans to continue to invest in business development initiatives to target increased customer and market penetration in these existing sectors, including international air and ocean freight. Fliway will look to grow both organically and through acquisition.

ENTERING NEW MARKETS

Fliway has specialist equipment, facilities and expertise which is distinct from its competitors. Fliway intends to leverage this equipment and expertise to target sectors which the business does not currently operate in. For example, Fliway could transport or warehouse other types of goods which require specialist handling equipment or facilities or acquire companies which currently transport or warehouse such goods. Fliway will also evaluate opportunities to enter new markets through acquisitions.

SECTION THREE GROUP FINANCIALS

SECTION THREE
GROUP FINANCIALS

EARNINGS RECONCILIATION $000's	FY14 ACTUAL	FY15 ACTUAL	FY15 PFI	VAR %	12M DEC 15F
Revenue	81,511	84,169	85,265	-1.3%	85,642
Disbursement costs	- 22,489	- 22,515	- 23,013	2.2%	- 23,344
Depreciation	- 1,445	- 2,030	- 2,055	-1.2%	- 2,383
Freight costs	- 3,780	- 4,530	- 4,843	6.9%	- 4,455
Rental and leasing charges	- 6,717	- 6,997	- 7,054	0.8%	- 6,795
Personnel costs	- 27,497	- 28,876	- 29,053	0.6%	- 29,498
Vehicle expenses	- 7,099	- 6,552	- 6,894	5.2%	- 6,842
Other operating expenses	- 6,451	- 9,210	- 9,346	1.5%	- 9,007
Reported Operating Profit	**6,033**	**3,459**	**3,007**	**15.0%**	**3,318**
Reconciliation to Pro-Forma EBITDA & EBIT					
Adjust for:					
UPS-Fliway EBIT (50%)	1,272	1,584	1,399	13.2%	1,282
Loss on sale	30	112	29	286.2%	72
Public Company Costs	- 500	- 320	- 320	0.0%	- 70
IPO Costs	-	2,035	2,505	-18.8%	2,505
Pro-Forma EBIT	**6,835**	**6,870**	**6,620**	**3.8%**	**7,107**
Depreciation (including share of JV)	1,454	2,039	2,072	-1.6%	2,407
Pro-Forma EBITDA	**8,289**	**8,909**	**8,692**	**2.5%**	**9,514**
Reported Operating Profit	**6,033**	**3,459**	**3,007**	**15.0%**	**3,318**
UPS-Fliway NPAT (50%)	925	1,147	1,013	13.2%	926
Net interest cost	- 741	- 857	- 907	-5.5%	- 764
(Gain)/Loss on Derivatives	89	- 344	- 182	89.0%	- 43
Income tax expense	- 1,520	- 1,215	- 1,285	-5.4%	- 1,428
Reported NPAT	**4,786**	**2,190**	**1,646**	**33.0%**	**2,009**

Fliway monitors its profitability using the non-GAAP financial measures of EBIT and EBITDA. The use of EBIT removes the effects of the Fliway Group's capital structure and tax position and the impact of certain non-cash items (fair value movements in financial instruments and other gains or losses on the sale of assets). The use of EBITDA also further removes the effect of depreciation and amortisation.

A reconciliation between EBIT, EBITDA and NPAT is presented above. The measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards and therefore Fliway's calculation of these measures may differ from the similarly titled measures presented by other companies. These measures are intended to supplement the NZ GAAP measures presented in Fliway's financial information. They should not be considered in isolation and are not a substitute for NZ GAAP measures.

Pro Forma EBITDA and Pro Forma EBIT are non-GAAP profit measures which reflect a number of historical and prospective Pro Forma adjustments.

SECTION FOUR

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

SECTION FOUR

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors present the consolidated financial result of the Fliway Group for the year ended 30 June 2015. This report discusses the full year result and the performance against the Prospective Financial Information (PFI) included in the Prospectus issued in March 2015.

OPERATING PERFORMANCE

Group revenue of $84.2 million for the year was ahead of FY14 by 3.3% and pro-forma EBITDA of $8.9 million for the year was up by 7.5%. As forecast, Reported Net Profit after Tax (NPAT) of $2.2 million was lower than the prior year due to one off costs related to listing on the NZX and a number of non-cash IFRS adjustments.

Comparing performance against PFI, reported NPAT for the year was 33.0% above the forecasted $1.7 million. This was principally as a result of offer costs being $0.5 million lower than allowed for in the PFI. Pro-forma EBITDA was 2.5% ahead of the company's PFI forecast of $8.7 million with results from the domestic division and the joint venture delivering ahead of forecast. Revenues were 1.3% lower than the PFI forecast of $85.3 million as a result of a reduced fuel adjustment factor in the domestic business and lower shipping rates in the international freight forwarding market.

DIVIDEND

Consistent with PFI and relating only to the earnings period from the 9th of April 2015 (the IPO date) to 30 June 2015, Fliway's Directors have approved the payment of a maiden dividend of 1.9 cents per share with respect to ongoing earnings and a special dividend of 0.5 cents per share reflecting the lower costs involved in the IPO of the business (fully imputed for New Zealand shareholders). The dividends will be payable on 20 October 2015 to shareholders recorded on the share register as at 5.00pm (New Zealand time) on 30 September 2015.

REVIEW OF OPERATIONS: HEALTH AND SAFETY

Fliway has significantly increased focus and attention on safety and safe behaviours in the workplace over the last 12 months. The increased focus commenced with a back to basics approach of training and re-training all of our people nationally about safety and all of our responsibilities in the workplace.

In January 2015, we launched a new Health & Safety (H&S) vision based on "100% Home Safely" to target an environment with zero fatalities, injuries and vehicle accidents. This new vision has been teamed with a simplified H&S system, new metrics and reporting, an updated hazard and risk register and stronger focus on managing the key safety risks within the business. In addition to this we have increased drug and alcohol testing measures and have new, increased communication initiatives at both local branch and national levels.

There were five key areas of focus in our roadmap of the last year, and we will continue building on this same platform in FY16 with further training, interventions and initiatives around safety, health and wellbeing:

- Increase awareness and engagement
- Visitor and contractor management
- Reporting and reduction in Lost Time Injuries
- Reduction of frequency and severity of manual handling injuries
- Effectiveness of sharing information

PEOPLE

Our people roadmap is designed to support our current day to day operations along with our growth aspirations. There are 4 pillars of focus:

- Leadership impact
- Team engagement
- Developing talent
- Getting the fundamentals right, first time, every time

This people strategy commenced during the last financial year and will continue to be delivered over the next 12 months. Initially, the majority of actions focused on 'the basics' – getting the fundamentals right.

This included such actions as designing new employment handbooks, demonstrating ways of working, training videos, standard templates and internal people management systems for our people managers. In January 2015, we conducted our first internal engagement survey and have implemented numerous local and national initiatives across each of the units and nationally to improve our team engagement. Further leadership and talent development initiatives are planned in the next 12 months.

Fliway staff turnover improved by 12% on the previous financial year. Currently 20% of positions being recruited were filled from within the business through a lateral move or internal promotion. Our mid-term goal is for 50% of our roles to be filled by our internal talent, with further actions planned to develop talent within Fliway.

FLIWAY DOMESTIC

FINANCIAL PERFORMANCE ($'000)	FY2014	FY2015			12M DEC 15F
		ACT	PFI	VAR	PFI
Revenue	52.608	55.810	56.448	-1.1%	56.467
Pro Forma EBITDA	8.007	8.390	8.079	3.8%	9.170
EBITDA %	15.2%	15.0%	14.3%	0.7%	16.2%
Pro Forma EBIT	6.811	6.618	6.315	4.8%	7.133

Operating revenue of $55.810 million for the year was 1.1% lower than PFI, as a result of a lower fuel recovery. Pro Forma EBITDA was $8.390 million for the year, 3.8% ahead of PFI.

Within the Domestic business unit, in the second six months of FY15, the Transport division improved its operating costs as a result of the capital investment of the past two years and continuing to pursue the strategy of selling to capacity in the network.

In the Logistics division, a site move to larger warehouse premises was required in Auckland to facilitate growth from existing customers and the acquisition of a new customer. In Wellington, where the Fliway warehouse was previously operating below capacity, a new customer was signed up resulting in that warehouse now being fully utilised.

In a further property transaction, an agreement to lease was executed in June for a new site in Christchurch that will deliver a larger, more efficient transport dock and provide additional warehousing capacity in FY16. The new site will allow the company to facilitate the growth in customer warehousing requirements within the Christchurch market.

The business development team over-delivered on its new revenue targets for FY15 with significant wins in areas where Fliway had available capacity. Examples of this were new customers with freight originating in New Plymouth and Wellington. Selling to capacity in both warehouse and transport operations was a key objective for FY15 and remains a key focus for FY16. In addition, we worked with specific warehousing customers to split inventory across multiple geographical locations to provide benefit to both Fliway and the customer.

Maximising utilisation was a clear focus for FY15 with customer price reviews being undertaken as an outcome of this ongoing project.

SECTION FOUR

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

FLIWAY INTERNATIONAL

FINANCIAL PERFORMANCE ($'000)	FY2014	FY2015			12M DEC 15F
		ACT	PFI	VAR	PFI
Revenue	28.903	28.359	28.817	-1.6%	29.177
Pro Forma EBITDA	3.765	3.873	3.964	-2.3%	3.832
EBITDA %	13.0%	13.7%	13.8%	-0.1%	13.1%
Pro Forma EBIT	3.636	3.774	3.842	-1.8%	3.685

Operating revenue of $28.359 million for the year was 1.6% lower than PFI as a result of lower ocean import and export freight rates. Pro Forma EBITDA was $3.873 million for the year, 2.3% below PFI. Pro Forma EBITDA was 2.9% higher than the Prior Comparable Period (PCP), and was the fifth consecutive year of record profitability for International.

The Fliway International business unit has seen lower revenue than forecast as a result of the reduced shipping rates, and some customer churn. The volatile pricing on shipping rates (some lanes as much as 60%), combined with lower volumes meant the International business unit experienced softer revenue during the last quarter of FY15, and this will likely continue in FY16. The business unit remains focused on delivering exceptional service to customers, bringing on new revenue and ensuring its cost base is optimised.

Fliway International is also focused on continuing to gain efficiencies and customer benefit from its IT platform as well as keeping pace with the continuing challenges and cost that both border protection and the regulatory frameworks present.

Fliway International's key objectives for FY16 are to grow its customer base, maintain cost disciplines and continue to align its business offering alongside the other operating divisions of the Fliway Group.

FLIWAY INTERNATIONAL OPERATING METRICS	FY2014	FY2015
Total Number of Shipments via SEA	5,180	5,028
Total Number of Shipments via AIR	4,010	4,606
Total Number of Shipments	**9,190**	**9,634**
Brokerage clearances	**98,246**	**99,563**

UPS-FLIWAY

FINANCIAL PERFORMANCE ($'000)	FY2014	FY2015			12M DEC 15F
		ACT	PFI	VAR	PFI
EBITDA (50%)	1.282	1.593	1.416	12.5%	1.306
NPAT (50%)	0.925	1.147	1.013	13.2%	0.926
DIVIDEND	0.899	0.950	0.900	5.6%	0.900

The UPS-Fliway joint venture business unit delivered a strong contribution to the Group result with growth in revenue ahead of forecast. The business unit cost control discipline continues to ensure that revenue gains are maximised.

HEAD OFFICE

FINANCIAL PERFORMANCE ($'000)	FY2014	FY2015			12M DEC 15F
		ACT	PFI	VAR	PFI
EBITDA	-4.765	-4.772	-4.767	-0.1%	-4.712
Dispute de minimis	-	-0.175	-		-
Pro Forma EBITDA	-4.765	-4.947	-4.767	-3.8%	-4.712
Pro Forma EBIT	-4.885	-5.106	-4.937	3.4%	-4.910

Total Head Office costs for the year were $5.106 million, which was 3.4% higher than PFI. As noted in the Prospectus issued in March 2015, Fliway is in a dispute with a past customer. The dispute outcome is covered by the indemnity given by the selling shareholders entered into at the time of the IPO, however this indemnity does have a $0.250 million de minimis provision in it, which Fliway have taken up as a provision in the event the claim settles for $0.250 million or less. $0.075 million was allowed for in FY14 and a further $0.175 million was taken up in FY15 to take the provision to $0.250 million.

CAPITAL EXPENDITURE

FINANCIAL PERFORMANCE ($'000)	FY2014	FY2015			12M DEC 15F
		ACT	PFI	VAR	PFI
Trucks & Vans	1.459	1.543	1.708	-9.7%	1.112
Truck & Trailer	1.378	2.262	2.251	0.5%	-
IT	0.527	0.299	0.317	-5.7%	0.825
Other	0.350	0.501	0.106	372.6%	-
Disposals	-0.297	-0.264	-0.385	-31.4%	-
Total Net Capex	**3.417**	**4.341**	**3.997**	**8.6%**	**1.937**

Capex for FY15 was $4.341 million, $0.344 million higher than the forecast of $3.997 million. This was principally driven by the $0.275 million setup costs of the larger Auckland warehouse, which was not foreseen at the time of the forecast.

NET DEBT

FINANCIAL PERFORMANCE ($'000)	FY2014	FY2015			12M DEC 15F
		ACT	PFI	VAR	PFI
Cash	8.090	6.837	1.773	285.6%	3.607
Debt	-19.292	-15.000	-12.500	20.0%	-12.500
Shareholder loan	-2.969	-	-	-	-
Net Debt	**-14.171**	**-8.163**	**-10.727**	**-23.9%**	**-8.893**

Net Debt was $8.163 million, 23.9% lower than the PFI, as a result of improved cash operating results, lower working capital and lower than anticipated offer costs arising on listing.

SECTION FOUR

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

CONCLUSION

Fliway has delivered a satisfactory result, achieving record underlying EBITDA in FY15, completing its Initial Public Offering, and meeting its PFI forecasts and objectives through to June 2015. There are still areas of the business where we can do better, and management is focused on delivering those improvements.

Our Domestic division has produced a solid result across its branches and warehouses, with clear opportunities to deliver improved operational and financial performance in specific areas. The International business is having to respond to challenging dynamics with lower shipping rates and volatile volumes, which meant the International result whilst still ahead of last year, was lower than expected. Our International team has responded well to these challenges and is focused on building sales momentum and continuing to offer customers exceptional service as we move forward, whilst ensuring the cost base is optimised.

The Directors would like to thank each and every team member across the Fliway Group for what has been a milestone year for the company, we would also like to acknowledge and thank the continuing support of our customers and our joint venture partner UPS.

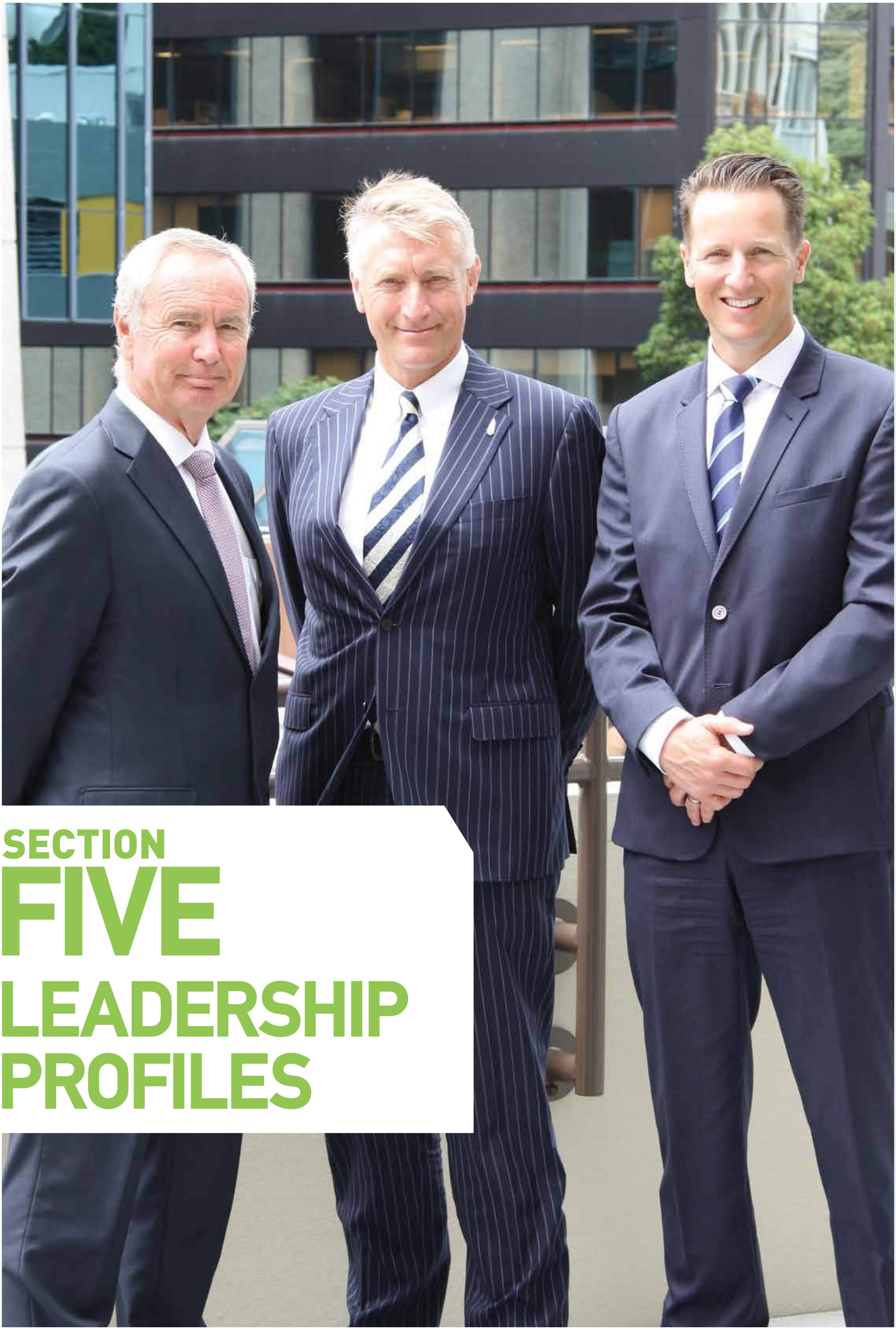
Fliway will continue to invest in people, facilities, and technology to meet the changing needs of our customers, and grow the business. We will continue to seek to increase our penetration with existing customers as well as pursuing proposals for work in new sectors, and looking to grow strategically through acquisitions.

We confirm the December 2015 IPO earnings forecast. Whilst we expect revenue will be softer than PFI forecast for 1H16, our cost position is strengthening and management is focused on delivering the bottom line result.

We have a strong platform, and a great team who are energised about the future opportunities for Fliway.

CHAIRMAN
Craig Stobo

MANAGING DIRECTOR
Duncan Hawkesby



SECTION

FIVE

LEADERSHIP PROFILES

SECTION FIVE
LEADERSHIP PROFILES

FLIWAY BOARD OF DIRECTORS

Fliway's Board has a diverse range of skills and experiences, including in executive and governance roles at publicly listed companies and other significant entities. The Fliway Board comprises an independent non-executive Chairman (Craig Stobo), an independent non-executive director (Alan Isaac) and an executive director (Duncan Hawkesby).

Craig Stobo

Chairman and Independent Director

Craig has worked as a diplomat, economist, investment banker and as a CEO. He is a professional independent director. In addition to chairing Fliway, he is Chairman of Precinct Properties NZ, AIG Insurance NZ, and the New Zealand Local Government Funding Agency (LGFA). Craig is also a shareholder and Chairman of Saturn Portfolio Management, Elevation Capital Management, Appello Services and Biomarine Group.

Alan Isaac

Independent Non-executive Director

Alan has an extensive background in accounting and finance and is a former national Chairman of KPMG. He was made a Companion of the New Zealand Order of Merit in 2013 for services to cricket and business. Alan was the President of the International Cricket Council for two years until June 2014 and is currently Chairman of McGrathNicol and Partners and Acurity Health Group. In addition, Alan is a director of listed companies Opus International Consultants and Scales Corporation as well as a number of private companies. He is also Chairman of the New Zealand Community Trust.

Duncan Hawkesby

Managing Director

Duncan Hawkesby has been Managing Director of Fliway since acquiring the business in 2006. In this role Duncan has led Fliway in its growth as a large scale, quality, and specialised freight transport, logistics and warehousing provider. Duncan now has over eight years' experience working in the New Zealand transport sector.

Prior to his role with Fliway, Duncan was Chief Executive Officer at Nature's Oven, a small food manufacturing business, and before that he held various roles at the Lion Nathan group.

Duncan Hawkesby has been a director of the Company since he (as trustee of The D & G Hawkesby Trust) acquired Fliway in 2006. Craig Stobo and Alan Isaac were appointed to the Board shortly before the NZX listing.

Before their formal appointments as directors, each of Craig and Alan had spent a period of time developing an understanding of Fliway's business, including with Duncan and the other members of the Fliway senior management team. The Board has been meeting as an operating board of directors since late 2014 notwithstanding the fact that Craig and Alan had not been formally appointed.

LEADERSHIP PROFILES (CONTINUED)

FLIWAY SENIOR MANAGEMENT TEAM

The senior management team has extensive industry experience and has been an integral part of Fliway's history. It is led by Managing Director Duncan Hawkesby.

Duncan Hawkesby

Managing Director

See Section above *Fliway Board*.

Jim Sybertsma

Chief Financial Officer

Jim was appointed as Chief Financial Officer of Fliway in 2008. Prior to his appointment, Jim was Chief Executive Officer at Paradise Food Industries (Australia). Previously he has been Chief Financial Officer at New Zealand Dairy Foods and Fonterra Brands (New Zealand) and the General Manager of Finance and Administration at DB Group (liquor division).

Jim is a Chartered Accountant and holds a Bachelors degree in Management Studies from the University of Waikato.

Cameron McKeown

General Manager Domestic

Cameron joined Fliway in 1993 and has more than 16 years' experience in various management roles at Fliway, having worked within all of Fliway's major divisions. Cameron was appointed as General Manager of Fliway Logistics in 2006 and in 2008 became General Manager of Fliway Domestic.

Cameron has 24 years' experience in the logistics industry.

Gavin Satchell

General Manager International

Gavin started as an Operations junior for Fliway in 1985. Since then he has worked across different management roles within the Fliway group and in 2006 was appointed as General Manager of Fliway International.

Gavin has 29 years' experience in the customs clearance, transport and international Freight Forwarding industries.

SECTION FIVE
LEADERSHIP PROFILES (CONTINUED)

Peter Sapiatzer

Chief Information Officer

Peter joined Fliway in July 2013 as an IT Professional with nearly 30 years of industry experience. During his career he has held the roles of Analyst Programmer, IT Project Manager, Principal ERP Consultant, Global Functional Architect and IT Director for several large international companies, both in New Zealand and overseas.

Kate Bacchus

HR Manager

Kate joined the team in September 2014 in the position of National HR Manager. Prior to her appointment, Kate held various HR positions at Pernod Ricard NZ, Transfield Services NZ, Mercer HR Consulting, Deloitte, and Hyatt International both in New Zealand and overseas.

Kate is a Professional Member of the Human Resources Institute of New Zealand, and holds a Post Graduate Diploma in Business, majoring in Human Resources Management from the University of Auckland.

From left to right: Gavin Satchell (General Manager International), Peter Sapiatzer (Chief Information Officer), Jim Sybertsma (Chief Financial Officer), Kate Bacchus (Human Resources Manager), Cameron McKeown (General Manager Domestic) and Duncan Hawkesby (Managing Director)

SECTION SIX
FINANCIAL STATEMENTS

SECTION SIX

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

DIRECTORS' STATEMENT

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 the 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 27 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

MANAGING DIRECTOR
Duncan Hawkesby

DIRECTOR
Alan Isaac

FOR THE YEAR ENDED 30 JUNE 2015

AUDITOR'S REPORT

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

Deloitte.

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 26 to 67, 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 judgment, 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 26 to 67 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

FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	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.

FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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.

AS AT 30 JUNE 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	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**

Net tangible assets per ordinary share ($'s)	**0.14**	**2,117.65**
Ordinary shares issued at the end of the year	**45,437,910**	**102**

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

FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 27 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 judgments, 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 judgments 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 judgments 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.

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Financial assets (cont.)

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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. or 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, 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 judgments, estimates and assumptions and the differences may be material. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

SIGNIFICANT ACCOUNTING JUDGMENTS

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 $23.046 million (2014: $23.046 million). 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

	2015 ($'000)	2014 ($'000)
Other operating expenses include the following items:		
IPO offer costs excluding auditors fees	1,445	-
Fees paid to auditors - IPO investigating and review	590	-
Fees paid to auditors - audit	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**

FOR THE YEAR ENDED 30 JUNE 2015
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**

Aging of past due but not impaired trade receivables		
31-90 days	184	429
91 days +	158	526
	342	**955**

Allowance for doubtful debts		
Opening balance	13	16
Impairment losses recognised on receivables	108	34
Amounts written off during the year as uncollectible	(18)	(10)
Amounts recovered during the year	7	6
Impairment losses reversed	(29)	(33)
Balance at end of the year	**81**	**13**

Aging 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.

FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. DEFERRED TAX

	OPENING BALANCE ($'000)	CHARGED TO INCOME ($'000)	CLOSING BALANCE ($'000)
2015 Temporary differences			
Doubtful debts	9	14	23
Holiday liability	219	18	237
Provisions	160	137	297
	388	**169**	**557**
2014 Temporary differences			
Doubtful debts	5	4	9
Holiday liability	200	19	219
Provisions	213	(53)	160
	418	**(30)**	**388**

9. PROPERTY, PLANT AND EQUIPMENT

	AT COST ($'000)	ACCUMULATED DEPRECIATION ($'000)	NET BOOK VALUE ($'000)	DEPRECIATION ($'000)
2015				
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				
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**

9. PROPERTY, PLANT AND EQUIPMENT (CONT.)

	OFFICE EQUIPMENT ($'000)	FURNITURE AND FITTINGS ($'000)	PLANT AND EQUIPMENT ($'000)	VEHICLES ($'000)	CAPITAL WORK IN PROGRESS ($'000)	TOTAL ($'000)
Cost or valuation						
Opening balance 1 July 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						
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

	AT COST ($'000)	ACCUMULATED AMORTISATION ($'000)	NET BOOK VALUE ($'000)	AMORTISATION ($'000)
2015				
Computer software and licences	1,775	(1,441)	334	201
	1,775	**(1,441)**	**334**	**201**
2014				
Computer software and licences	2,118	(1,656)	462	196
Customer list - Logic Distribution Ltd	67	-	67	-
	2,185	**(1,656)**	**529**	**196**

	COMPUTER SOFTWARE AND LICENCES ($'000)	CUSTOMER LIST ($'000)	TOTAL ($'000)
Cost or valuation			
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			
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		
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		
Balance at beginning of year	-	-
Movements during the year	-	-
Balance at end of year	**-**	**-**

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.

FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. GOODWILL (CONT.)

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	-	102	-
Conversion of existing shares on 7 April 2015	37,904,475	-	-	-
New shares issued on 8 April 2015	7,533,333	9,040	-	-
Issue costs associated with new shares	-	(271)	-	-
Balance at end of the year	**45,437,910**	**8,769**	**102**	**-**

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.

FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. COMMITMENTS

	2015 ($'000)	2014 ($'000)
Operating leases		
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.

	2015 ($'000)	2014 ($'000)
Capital		
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 ($'000)	2014 ($'000)
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)
The D & G Hawkesby Trust	Unsecured loan repayment	Shareholder	(533)	-
Duncan Hawkesby	Remuneration and benefits	Managing Director	(123)	(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
The D & G Hawkesby Trust	Unsecured loan	Shareholder	-	533

The unsecured loans from D Hawkesby and The 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

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

		Ownership + voting interest	
NAME	PRINCIPAL ACTIVITIES	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**

21. INVESTMENT IN JOINT VENTURE (CONT.)

Reconciliation of the 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.

22. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management objectives (cont.)

	TOTAL ($'000)	LESS THAN 1 MONTH ($'000)	1-3 MONTHS ($'000)	3MONTHS - 1 YEAR ($'000)	1-2 YEARS ($'000)
As at 30 June 2015					
Cash and Cash Equivalents	6,837	6,837	-	-	-
Interest-bearing loans	(15,000)	-	-	(15,000)	-
As at 30 June 2014					
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

22. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management objectives (cont.)

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.

(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.

	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)
As at 30 June 2015							
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							
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	-

22. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management objectives (cont).

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 $15.000 million of term facility, $1.500 million of revolving credit facility, $1.500 million overdraft facility, $1.475 million financial guarantee facility, $0.300 million credit card facility and $0.250 million clean credit facility. The new term facility with a term of 3 years was drawn down on 5 November 2014.

22. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management objectives (cont).

(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.

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)

22. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management objectives (cont).

(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 liabilities at fair value	**-**	**34**	**-**	**34**

22. FINANCIAL INSTRUMENTS (CONT.)

Financial risk management objectives (cont).

(viii) Categories of financial assets and financial liabilities

	LOANS AND RECEIVABLES ($'000)	DERIVATIVES CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS ($'000)	FINANCIAL LIABILITIES AT AMORTISED COST ($'000)	TOTAL ($'000)
As at 30 June 2015				
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 payables	-	-	14	14
Interest-bearing loans	-	-	15,000	15,000
Derivative financial instruments	-	269	-	269
Total financial liabilities	**-**	**269**	**20,357**	**20,626**

	LOANS AND RECEIVABLES ($'000)	DERIVATIVES CLASSIFIED AS FAIR VALUE THROUGH PROFIT OR LOSS ($'000)	FINANCIAL LIABILITIES AT AMORTISED COST ($'000)	TOTAL ($'000)
As at 30 June 2014				
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 payables	-	-	35	35
Interest-bearing loans	-	-	19,292	19,292
Unsecured loans	-	-	2,969	2,969
Total financial liabilities	**-**	**-**	**27,076**	**27,076**

FOR THE YEAR ENDED 30 JUNE 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

As part of the public offering the selling shareholders entered into a deed of indemnity in favour of Fliway (the Selling Shareholder Indemnity) dated 5 March 2015. Under the Selling Shareholder Indemnity, the shareholders 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 the 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)

FOR THE YEAR ENDED 30 JUNE 2015
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT REPORTING (CONT.)

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						
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

28. SEGMENT REPORTING (CONT.)

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
Total joint venture gross up	892	713
Fliway 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 offsetting 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.

29. 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.

29. 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.

29. 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 offsetting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. COMPARISON WITH PROSPECTIVE FINANCIAL INFORMATION (CONT.)

(v) Prospective Financial Performance by Segment (cont.)

	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.

SECTION SEVEN
STATUTORY INFORMATION

SECTION SEVEN

STATUTORY INFORMATION

DIRECTORS

The following persons were Directors of Fliway and its subsidiaries during the year ended 30 June 2015:

Fliway Group Limited

Craig Stobo	Independent Director
Alan Isaac	Independent Director
Duncan Hawkesby	Non-Independent Director

Craig Stobo and Alan Isaac were appointed Directors on 26 February 2015.

Fliway Holdings Limited

Duncan Hawkesby

Fliway Transport Limited

Duncan Hawkesby

Fliway International Limited

Duncan Hawkesby

Fliway Logistics Limited

Duncan Hawkesby

JOINT VENTURE DIRECTORS

The following persons were Directors of the joint venture with UPS as representatives of Fliway Group Limited during the year ended 30 June 2015:

UPS-Fliway (NZ) Limited

Duncan Hawkesby
Jim Sybertsma
Craig Magee

INTERESTS REGISTER

The following entries were made in the interests register of Fliway and its subsidiaries during the period 1 July 2014 to 30 June 2015:

Indemnification and Insurance of Directors

The Group has arranged, as provided for under its Constitution and in accordance with section 162 of the Companies Act 1993, policies of directors' and officers' liability insurance which, with a Deed of Indemnity, entered into with all Directors, ensures that to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

SECTION SEVEN

STATUTORY INFORMATION (CONTINUED)

Share Dealings by Directors

Dealings by Directors in relevant interests in Fliway's ordinary shares during the period ended 30 June 2015 as entered in the Interests Register of Fliway:

Craig Stobo

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Transaction
20,000	Beneficial owner	Acquisition	$1.20 per share	9th April 2015

Alan Isaac

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Transaction
20,000	Beneficial owner	Acquisition	$1.20 per share	9th April 2015

Duncan Hawkesby

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Transaction
13,308,334	Power to control acquisition and disposal through The D&G Hawkesby Trust	Disposal	$1.20 per share	9th April 2015

Escrow Arrangements

Shares held by Duncan John Hawkesby and Gretchen Sarah Hawkesby (as trustees of The D & G Hawkesby Trust) are subject to the escrow undertakings described below. Under the terms of the Escrow Deed, Duncan John Hawkesby and Gretchen Sarah Hawkesby (as trustees of The D & G Hawkesby Trust) have agreed not to sell, transfer or otherwise dispose of any of their shareholding, until at least the first day after the date on which Fliway releases to NZX its preliminary announcement of its financial results for the six month period ending 31 December 2015.

The restrictions set out in the Escrow Arrangements do not apply in the following circumstances:

- if a full or partial offer is made under the Takeovers Code for Shares or if a scheme of arrangement (or other arrangement having a substantially similar effect to a Takeover Offer) with respect to the Shares is proposed;
- The D & G Hawkesby Trust may grant a security interest over all or any of their Shares that are subject to the Escrow Arrangements in favour of a registered bank or other similar recognised lending institution, provided that the bank or institution has agreed to be bound by the Escrow Arrangements;
- The D & G Hawkesby Trust may transfer any of their Shares that are subject to the Escrow Arrangements to a new or replacement trustee of The D & G Hawkesby Trust, provided that the new or replacement trustee accedes to the Escrow Arrangements on the same terms; and
- The D & G Hawkesby Trust may transfer any of their Shares that are subject to the Escrow Arrangements to an Associated Person with the prior written approval of the non-interested Directors (as that term is defined in the Companies Act), provided that the Associated Person accedes to the Escrow Arrangements on the same terms and agrees to transfer back any Shares if they cease to be an Associated Person of The D & G Hawkesby Trust.

SECTION SEVEN
STATUTORY INFORMATION (CONTINUED)

Indemnity from Selling Shareholders

Duncan John Hawkesby and Gretchen Sarah Hawkesby (as trustees of The D & G Hawkesby Trust) have entered into a deed of indemnity in favour of Fliway (the **Selling Shareholder Indemnity**) dated 5 March 2015. Under the Selling Shareholder Indemnity, the Selling Shareholders agreed to indemnify Fliway against any loss of earnings as a result of a third party claim relating to an event that occurred before or on 8 April 2015. 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 that reduces over time on the basis set out below:

PERIOD IN WHICH NOTICE OF CLAIM IS GIVEN BY FLIWAY	AGGREGATE MAXIMUM AMOUNT (NZ$)
Before or on 8 April 2016	4,000,000
9 April 2016 – 8 April 2017	3,000,000
9 April 2017 – 8 April 2018	2,000,000
9 April 2018 – 8 April 2019	1,000,000
9 April 2019 to 8 April 2020	500,000
After 4 pm on 8 April 2020	0

The Selling Shareholders have agreed to obtain a standby letter of credit from ANZ Bank New Zealand Limited in favour of Fliway to support the performance of their obligations under the Selling Shareholder Indemnity. The Selling Shareholder Indemnity will terminate if Fliway ceases to be listed on the NZX Main Board as a result of:

- a person or group of associated persons exercising compulsory acquisition rights and acquiring ownership of all of Fliway's Shares;
- the implementation of a scheme of arrangement under which Fliway is not the surviving entity; or
- any other similar control transaction.

General Notice of Disclosure of Interest in the Interests Register

Details of Directors' general disclosures entered in the relevant interest register for Fliway or its subsidiaries during the period 1 July 2014 to 30 June 2015 are as follows:

FLIWAY GROUP LIMITED

Craig Stobo

AIG Insurance New Zealand Limited	Chairman
Appello Services Limited	Chairman
Biomarine Group Limited	Chairman
Biomarine Holdings Limited	Director
Biomarine Limited	Director
Biomarine Properties Limited	Director
Elevation Capital Management Limited	Chairman
Legend Terrace Limited	Director
NZ Local Government Funding Agency Limited	Chairman
Precinct Properties New Zealand Limited	Chairman
Saturn Invest New Zealand Limited	Director
Saturn Portfolio Management Limited	Chairman
Southwest Trustees Limited	Director
Stobo Group Limited	Director

Alan Isaac

Acurity Health Group Limited	Chairman
AKA Investments Limited	Director
Department of Corrections (Audit & Risk Committee)	Chairman
Isaac Advisory Services Limited	Director
McGrath Nicol & Partners	Chairman
Murray Capital General Partner Limited	Director
New Zealand Community Trust	Chairman
New Zealand Vault Limited	Director
Opus International Consultants Limited	Director
Opus Partners' Trust Limited	Director
Rakaia Finance Limited	Director
Rakaia Fund Investments Limited	Director
Scales Corporation Limited	Director
SCL Limited	Director
Selacs Insurance Limited	Director
Wellington Free Ambulance	Board Member

STATUTORY INFORMATION (CONTINUED)

Duncan Hawkesby

Five Rules Holdings Limited	Director
Five Rules Holdings Property 1 Limited	Director

RELEVANT INTERESTS

Set out below in the table are the Fliway ordinary shares in which each Director of Fliway had a relevant interest as at 30 June 2015.

DIRECTOR	NUMBER OF ORDINARY SHARES – BENEFICIAL	NUMBER OF ORDINARY SHARES – NON-BENEFICIAL
Craig Stobo	20,000	Nil
Alan Isaac	20,000	Nil
Duncan Hawkesby	24,604,576	25,000

USE OF COMPANY INFORMATION BY DIRECTORS

No notices were received from Directors pursuant to section 145 of the Companies Act 1993 to use company information, received in their capacity as Directors, which would otherwise not have been available to them.

REMUNERATION

Directors Remuneration

The Directors' remuneration is paid in the form of fees. Additional fees are payable in respect of work carried out on board committees. The total pool of fees payable to Directors is subject to shareholder approval. The current pool, set on 5 March 2015, is $300,000. The following total remuneration and value of other benefits received by each non-executive Director who held office as a Director of Fliway and its subsidiaries during the period 1 July 2014 to 30 June 2015 was as follows:

Craig Stobo	$52,542
Alan Isaac	$33,500

In addition, Directors are entitled to be reimbursed for costs associated with carrying out their duties.

Remuneration and other benefits from Fliway and its subsidiaries to Executive Directors

The total remuneration and value of other benefits paid to Duncan Hawkesby was $123,049, during the period 1 July 2014 to 30 June 2015.

STATUTORY INFORMATION (CONTINUED)

Executives' Remunerations

The number of employees of the Group (including former employees), not being a director, who received remuneration and other benefits in excess of $100,000 for the period 1 July 2014 to 30 June 2015 is set out in the remuneration bands detailed below:

AMOUNT OF REMUNERATION	# EMPLOYEES
$100,000 - $110,000	8
$110,001 - $120,000	2
$120,001 - $130,000	3
$130,001 - $140,000	4
$140,001 - $150,000	4
$150,001 - $160,000	2
$160,001 - $170,000	1
$180,001 - $190,000	1
$240,001 - $250,000	1
$290,001 - $300,000	1
$420,001 - $430,000	1
$480,001 - $490,000	1

Auditor's Fees

Deloitte has continued to act as auditor of Fliway and its subsidiaries. The amount payable by Fliway and its subsidiaries to Deloitte as audit fees during the year ended 30 June 2015 was $91,000. The amount of fees payable to Deloitte for non-audit work during the year ended 30 June 2015 was $622,000. A full breakdown of fees payable to the auditor is provided on page 40.

Substantial Product Holders

Set out below are details of the substantial product holders of Fliway as advised by notice to Fliway on 30 June 2015.

NAME	NUMBER OF SHARES HELD	CLASS OF SHARES
Duncan John Hawkesby	24,629,576	Ordinary
Gretchen Sarah Hawkesby	24,604,576	Ordinary

The total number of Fliway Group Limited ordinary shares on issue at 30 June 2015 was 45,437,910.

SHAREHOLDER INFORMATION

Spread of Shares

Set out below are details of the spread of shareholders of Fliway as at 1 September 2015:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% SHARES HELD
1-1,000	48	33,161	0.1
1,001-5,000	448	1,532,780	3.4
5,001-10,000	258	2,267,024	5.0
10,001-50,000	211	5,241,896	11.5
50,001-100,000	13	960,674	2.1
Greater than 100,000	27	35,402,375	77.9

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

SECTION SEVEN
STATUTORY INFORMATION (CONTINUED)

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Fliway as at 1 September 2015:

RANK	INVESTOR NAME	NUMBER OF SHARES HELD	% SHARES HELD
1	Duncan John Hawkesby & Gretchen Sarah Hawkesby	24,604,576	54.15
2	BT NZ Unit Trust Nominees Ltd	1,479,723	3.26
3	FNZ Custodians Limited	1,298,068	2.86
4	Custodial Services Limited	803,749	1.77
5	Forsyth Barr Custodians Limited	800,000	1.76
6	Yong Zhong	650,000	1.43
6	Li Hua Chen	650,000	1.43
7	Forsyth Barr Custodians Limited	612,226	1.35
8	Ace Finance Limited	500,000	1.10
8	Cogent Nominees Limited	500,000	1.10
9	Chin Hwa Wu Yu	300,000	0.66
9	Hsiao Pau Yu & Chin Hwa Yu	300,000	0.66
10	Forsyth Barr Custodians Limited	295,507	0.65
11	Custodial Services Limited	264,500	0.58
12	Jiang Lin	250,000	0.55
13	Custodial Services Limited	246,250	0.54
14	Forsyth Barr Custodians Limited	235,263	0.52
15	Forsyth Barr Custodians Limited	193,000	0.42
16	Investment Custodial Services Limited	162,000	0.36
17	Custodial Services Limited	151,500	0.33
18	Paradise Finance Limited	150,000	0.33
19	Forsyth Barr Custodians Limited	140,500	0.31
20	Geoffrey Stewart Wilkinson	140,000	0.31

OTHER INFORMATION

NZX Waivers

Fliway did not rely upon any waivers granted by NZX Limited during the year ended 30 June 2015.

Exercise of NZX Disciplinary powers

NZX Limited did not exercise any of its powers under Listing Rule 5.4.2 in relation to Fliway during the year ended 30 June 2015.

Donations

Fliway Group made $2,500 in donations during the year ended 30 June 2015.

SECTION EIGHT
CORPORATE GOVERNANCE

SECTION EIGHT
CORPORATE GOVERNANCE

The Board of Fliway Group Limited ('Fliway') is committed to ensuring that the company meets best practice governance principles and maintains the highest ethical standards. The Board has agreed to regularly review and assess Fliway's governance structures to ensure that they are consistent with best practice.

Fliway complies with the corporate governance principles set out in the *NZX Corporate Governance Best Practice Code*.

The full content of Fliway's corporate governance policies, practices and procedures can be found in the company's Corporate Governance Manual, which is available in the "Corporate Governance" section of the company's website, **www.fliway.com**. The code was adopted in April 2015 and is reviewed annually.

RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for all decision making within Fliway. In this regard the Board is responsible for laying solid foundations for the direction, management and oversight of the company in the support of its objective to generate growth, corporate profit and shareholder gain. It has delegated day to day management of the company to the Managing Director.

The main functions of the Board include:

- Review and approve the strategic, business and financial plans prepared by management.
- Monitor performance against the strategic, business and financial plans.
- Appoint, provide counsel to and review the performance of the Managing Director.
- Approve major investments and divestments.
- Ensure ethical behaviour by the company, Board and management and employees.
- Assess its own effectiveness in carrying out its functions.

The Board monitors these matters by receiving reports and plans from management, maintaining an active programme of divisional visits and through its annual work programme.

The Board uses committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board has a statutory obligation to reserve to itself responsibility for certain matters. It also deals directly with issues relating to the company's mission, appointments to the Board, strategy, business and financial plans.

Details of the Board's role, composition, responsibilities, operation, policies and committees are provided in Fliway's Corporate Governance Manual, which is available in the "Corporate Governance" section of the company's website.

BOARD OF DIRECTORS

The Board is structured to add value. A profile of each of the Directors is on page 19 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

The roles of Chairman and Managing Director are separated. Craig Stobo is the independent Chairman of Fliway and Alan Isaac is an Independent Director. Duncan Hawkesby is Managing Director of Fliway and is associated with The D & G Hawkesby Trust, holder of a 54.15% shareholding in the company.

The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Fliway.

Director independence is considered on a case by case basis and is monitored on an ongoing basis.

BOARD COMMITTEES

The Board has established an Audit and Risk Committee, but because of the Company's small size, the Board acts as the Nominations and Remuneration Committees contemplated by the Listing Rules.

Audit and Risk Management Committee

The committee has a charter that sets out its mandate. The charter can be found within the company's Corporate Governance manual (Part 3).The primary functions of the Audit and Risk Management Committee are:

- To oversee the financial reporting process to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.
- To provide the Board with an independent assessment of the company's financial position and accounting affairs.
- To keep under review the effectiveness of the company's procedures for the identification, assessment and reporting of material risks.

Members of the committee are appointed by the Board and must comprise a majority of independent Directors. The current members of the committee are Alan Isaac (Chairman), Craig Stobo and Duncan Hawkesby. Alan Isaac is a former national Chairman of KPMG. The roles of Chairman of the Board and the Chairman of the Audit and Risk Committee are separated.

Attendance at Meetings

During the year ended 30 June 2015, the Board held 7 meetings and the Audit and Risk Management Committee held no meetings given the extensive due diligence meetings involved in the IPO process. The following table sets out attendance at meetings for all Directors.

	BOARD		AUDIT AND RISK MANAGEMENT COMMITTEE	
NAME	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Craig Stobo	7	7	-	-
Duncan Hawkesby	7	7	-	-
Alan Isaac	6	6	-	-

CODE OF ETHICS

Fliway's Board sets a framework of ethical standards for the company via its **Code of Ethics**, which is contained in the company's Corporate Governance manual. These standards are expected of Directors and employees of Fliway and its subsidiaries.

The **Code of Ethics** covers a wide range of areas including the following standards of behaviour; conflicts of interest; proper use of company information and assets; gifts; delegated authorities; compliance with laws and policies; reporting concerns; and corporate opportunities.

The code is subject to annual review by the Board.

SECTION EIGHT

CORPORATE GOVERNANCE (CONTINUED)

AUDITOR INDEPENDENCE

Oversight of the company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit and Risk Management Committee. Fliway maintains an **External Auditor Independence Policy** to ensure that audit independence is maintained, both in fact and appearance.

The policy covers the following areas:

- Approval of the external auditor.
- Provision of other assurance services by the external auditor.
- Pre-approval process for the provision of other assurance services.
- External auditor rotation.
- Hiring of staff from the external auditor.
- Relationships between the external auditor and the company.

The role of the external auditor is to audit the financial statements of the company in accordance with generally accepted auditing standards in New Zealand and to report on its findings to the Board and shareholders of the company.

All services provided by the company's external auditor are considered on a case by case basis by management and the Audit and Risk Management Committee to ensure there is no actual or perceived threat to independence in accordance with the policy.

The effectiveness, performance and independence of the external auditors are reviewed by the Audit and Risk Management Committee.

The **External Auditor Independence Policy** is contained in the company's Corporate Governance Manual available in the "Corporate Governance" section of the company's website.

BOARD PERFORMANCE EVALUATION

The Board is required to assess annually its effectiveness in carrying out its functions and responsibilities.

The Chairman of the Board is tasked with ensuring that rigorous, formal processes are in place for evaluating the performance of the Board, board committees and individual Directors.

DIRECTORS' REMUNERATION

Directors' remuneration levels are set as to be fair and reasonable in a competitive market for the skills, knowledge and experience required by the company.

The Board determines the level of remuneration paid to individual Directors from the shareholder approved pool of fees. Remuneration is reviewed annually by the Board. Fees are reviewed against comparable peer groups and take into account the size and complexity of Fliway's business.

Fees paid to Directors are disclosed on page 73.

CORPORATE GOVERNANCE (CONTINUED)

MARKET DISCLOSURE AND SHAREHOLDER COMMUNICATIONS

Fliway is committed to making timely and balanced disclosures and respecting the rights of shareholders. It achieves these commitments, and the promotion of investor confidence, by ensuring that trading in its shares takes place in an efficient, competitive and informed market.

The company has in place procedures designed to ensure disclosure is made in a timely and balanced manner and that there is compliance with the NZX Listing Rules such that:

- All investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

The full procedures are outlined in the **Market Disclosure Policy**, which is contained in the company's Corporate Governance Manual. Accountability for compliance with disclosure obligations is with the Managing Director and Chief Financial Officer. Significant market announcements, including the preliminary announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast are approved by the Board.

Directors consider at each Board meeting whether there is any material information which should be disclosed to the market.

A programme of clear, meaningful, timely and effective communications with shareholders is centred around a comprehensive set of information regarding Fliway's operations and results being available on the company's website together with the content of shareholder reports.

Shareholder meetings will be held at a time and location to encourage participation by shareholders. Annual meetings will be held in Auckland, reflecting the head office location for the company, and the shareholder base.

TRADING BY COMPANY DIRECTORS AND OFFICERS

The Board has implemented formal procedures to handle trading in the company's securities by Directors, employees and advisors of the company with the approval of the Chief Financial Officer being required before trading can occur. The full procedures are outlined in the **Share Trading Policy**, which is contained in the company's Corporate Governance Manual.

The fundamental rule in the policy is that insider trading is prohibited at all times. The requirements of the policy are separate from, and in addition to, the legal prohibitions on insider trading in New Zealand.

RISK MANAGEMENT

The Board is responsible for ensuring that key business and financial risks are identified and that appropriate controls and procedures are in place to effectively manage those risks.

The Board has delegated responsibility to the Audit and Risk Management Committee to establish and regularly review the company's risk management framework. As part of this framework the committee is tasked with identifying situations and circumstances in which the company may be materially at risk, and initiating appropriate action through the Board or Managing Director.

In managing the company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Fliway has insurance policies in place covering most areas of risk to its assets and business.

The Managing Director and Chief Financial Officer have provided the Board, through the Audit and Risk Management Committee, with assurances in connection with the financial statements, including that they have been founded on a sound system of internal controls and risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Fliway is currently working to align its Health & Safety policies to embed a best practice culture across the group.

SECTION EIGHT

CORPORATE GOVERNANCE (CONTINUED)

INDEPENDENT PROFESSIONAL ADVICE

With the approval of the Audit and Risk Management Committee, Directors are entitled to seek independent professional advice on any issue related to the fulfillment of his or her duties, at the company's expense.

INTERESTS REGISTER

The Board maintains an Interests Register. Any Director who is interested in a transaction with the company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed, but may not vote in respect of the transaction.

Particulars of entries made in the Interests Register for the year ended 30 June 2015 are included in the Statutory Information section.

DIRECTORS' AND OFFICERS' INSURANCE

Fliway has arranged, as provided for under its Constitution and in accordance with Section 162 of the Companies Act 1993, policies of Directors' and Officers' Liability Insurance which, with a Deed of Indemnity, entered into with all Directors, ensures that to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines, which may be imposed in respect of breaches of the law.

DIVERSITY

Fliway values individuals' differences and seeks to ensure that the Board and workforce both comprise members reflecting diversity.

Fliway recruits, promotes and compensates on the basis of merit, regardless of gender, ethnicity, religion, age, nationality, sexual orientation, union membership or political opinion. Fliway requires that people in the workplace are treated with respect in accordance with the company's philosophy of equal employment opportunities, with protection provided through anti-harassment and discrimination policies.

The gender composition of Fliway Directors and Officers as at 30 June 2015 was as follows:

POSITION	FEMALE	MALE
2015		
Director	0 (0%)	3 (100%)
Senior Manager	1 (20%)	4 (80%)
2014		
Director	0 (0%)	1 (100%)
Senior Manager	0 (0%)	5 (100%)

SECTION
NINE
DIRECTORY

SECTION NINE

DIRECTORY

Board of Directors

Craig Stobo (Chairman)
Alan Isaac
Duncan Hawkesby

Audit and Risk Committee

Alan Isaac (Chairman)
Craig Stobo
Duncan Hawkesby

Auditors

Deloitte
Deloitte Centre
80 Queen Street
Auckland 1010

Bankers

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

Solicitors

Bell Gully
Vero Centre
48 Shortland Street
Auckland 1140

Registered Office

66 Westney Road
Westney industrial Park
Mangere
New Zealand

Postal Address

PO Box 73-011
Auckland International Airport
Auckland 2150
New Zealand

Telephone

+64-9-255-4600

Website

www.fliway.com

Share Registry

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21 Queen Street
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DELIVERING TRANSPORT SOLUTIONS