DELIVERING TRANSPORT SOLUTIONS

2016

ANNUAL REPORT

FLIWAY GROUP LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

TABLE OF CONTENTS

TABLE OF CONTENTS

01 HIGHLIGHTS

SECTION ONE
HIGHLIGHTS

FY16 NPAT OF **$5.6 MILLION, UP 156.4%** FROM $2.2 MILLION

FY16 UNDERLYING NPAT OF **$5.6 MILLION UP 40.6%** FROM $4.0 MILLION

ORDINARY FINAL DIVIDEND OF 5.35 CENTS PER SHARE, **UP 3.45 CENTS PER SHARE**

FULL YEAR TOTAL DIVIDEND OF **8.65 CENTS PER SHARE** FULLY IMPUTED, EQUATES TO SIGNIFICANT GROSS YIELD

REVENUE IMPACTED BY LOWER FUEL, CYCLICALLY LOW SHIPPING RATES AND LOWER FREIGHT VOLUMES

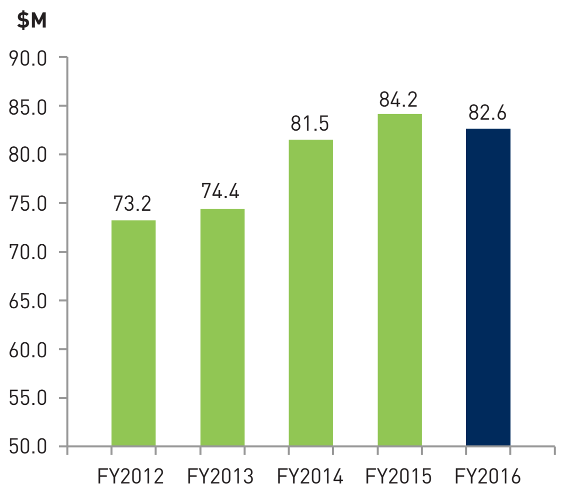
NET DEBT REDUCED 29.5% ON FY15 TO $5.8 MILLION AT 30 JUNE 2016

OUTSTANDING PERFORMANCE FROM THE WAREHOUSING BUSINESS, WITH CAPACITY MANAGEMENT FURTHER IMPROVED

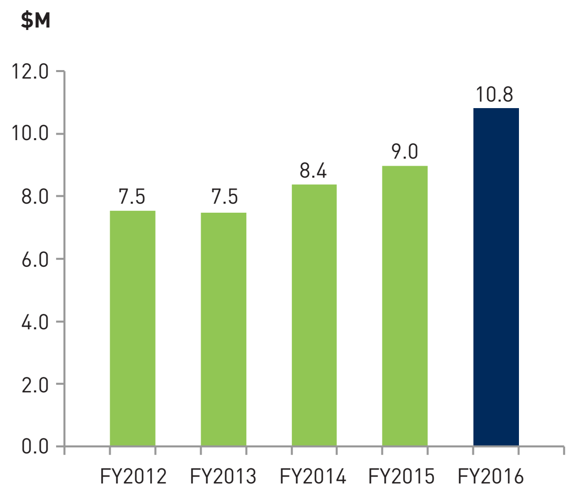
NEW CHRISTCHURCH SITE COMPLETED, DELIVERING ADDITIONAL CAPACITY AND OPERATIONAL BENEFITS

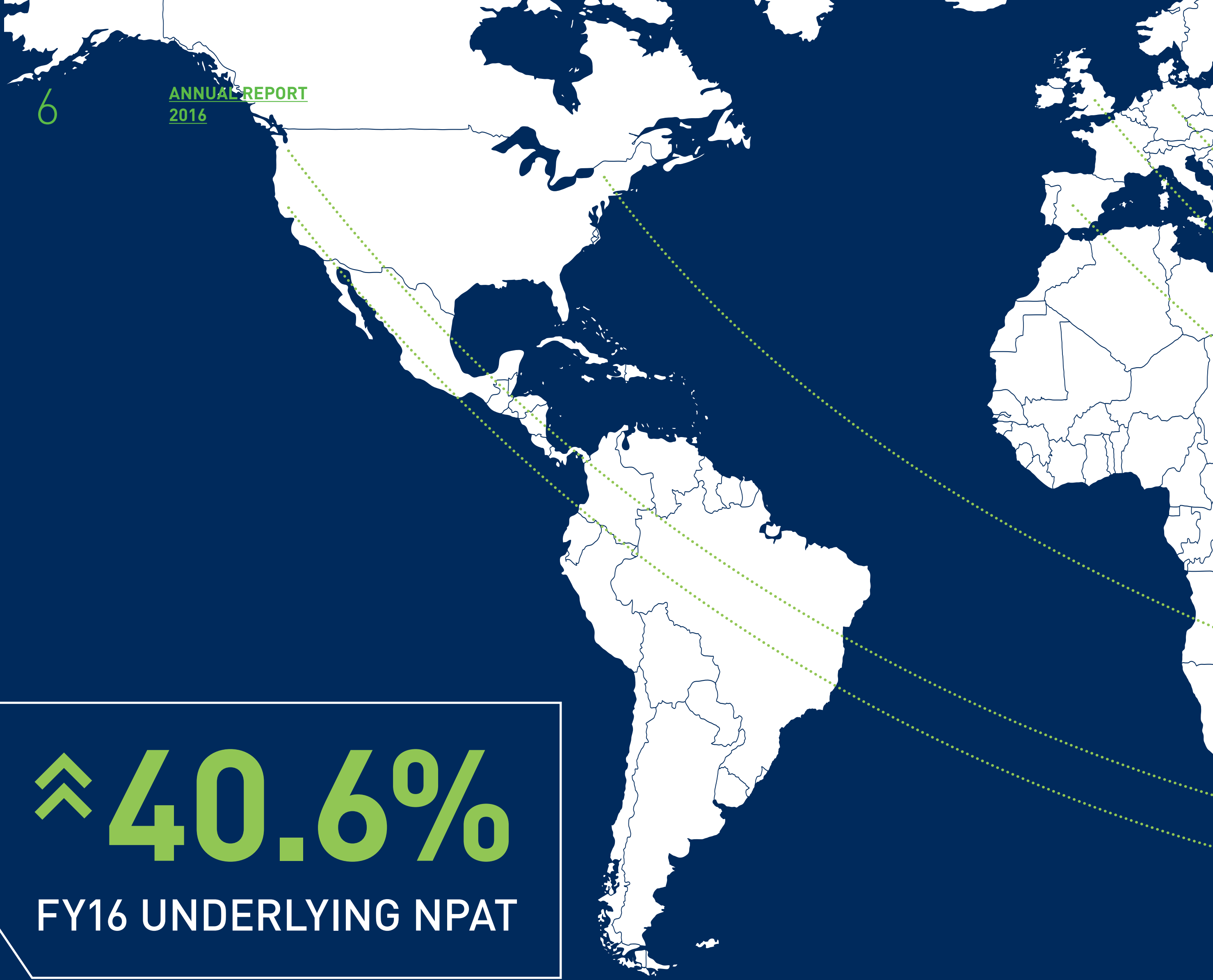
WORKING CAPITAL MANAGEMENT AND EARNINGS LIFT TRANSLATED TO **INCREASED CASH FLOWS**

REVENUE



UNDERLYING EBITDA





40.6%

FY16 UNDERLYING NPAT

EXCEEDED PROSPECTUS FORECAST

TO DECEMBER 2015

FULL YEAR DIVIDEND

8.65

CENTS PER SHARE

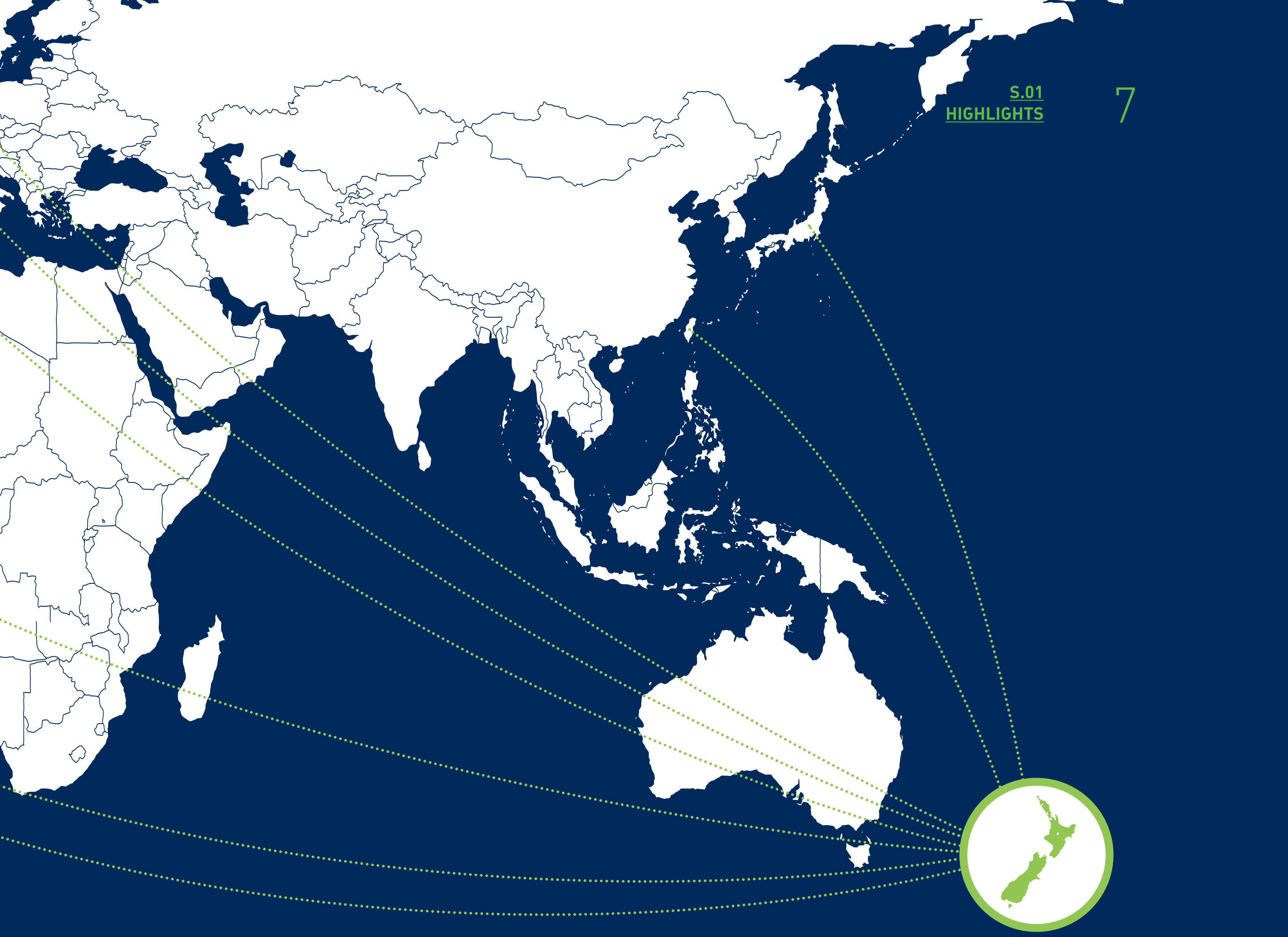
EARNINGS PER SHARE

12.4

CENTS

WAREHOUSING FOOTPRINT

30,000SQM



CONSIGNMENTS DELIVERED

545,000

DELIVERIES LAST YEAR

1.8MILLION

PIECES OF FREIGHT

KEY NUMBERS $000's	FY16	FY15	VAR	
Revenue	82,644	84,169	(1.8)%	▼
EBITDA[1]	10,188	6,707	51.9%	▲
EBIT[2]	8,101	4,677	73.2%	▲
NPAT	5,616	2,190	156.4%	▲
Underlying EBITDA[1]	10,817	8,980	20.5%	▲
Underlying EBIT[2]	8,602	6,830	25.9%	▲
Underlying NPAT[3]	5,616	3,995	40.6%	▲
Earnings per Share (in cents)	12.40	5.50	125.5%	▲
Dividend per Share (in cents)[4]	8.65	2.40		

22.3%

RETURN ON CAPITAL EMPLOYED

[1] EBITDA is earnings before interest, tax, depreciation and amortisation and is a non-GAAP measure and is reconciled on page 14.
[2] EBIT is earnings before interest and tax and is a non-GAAP measure and is reconciled on page 14.
[3] A reconciliation between Net Profit After Tax (NPAT) and Underlying Net Profit After Tax is provided on page 14.
[4] FY15 based on shares held at year end.

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

02 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 also 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 approximately 1.8 million pieces of freight per annum and processes, on average, 49,000 units of freight per day across 30,000 metres of warehousing facilities. Fliway also handles approximately 8,250 international shipments and 107,000 customs clearances per annum.

From these services, Fliway generated revenue and Underlying EBITDA of $82.6 million and $10.8 million respectively.

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 with 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 boarder 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.

The core business of Fliway Transport is the transportation of goods throughout New Zealand. 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 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 modern facilities in Auckland (3), Wellington and Christchurch.

The service offerings of Fliway Logistics and Fliway Transport are complimentary, 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.

SECTION TWO
GROUP PROFILE (CONTINUED)

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 range of international parties to fulfil these services on behalf of Fliway's customers. Fliway's relationships also allow it to manage cross-trade 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 in excess of 100,000 clearances per annum. Fliway International's brokerage operation works 7 days per week and 52 weeks per year.

UPS-FLIWAY (THE JOINT VENTURE)

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 4.7 billion packages and documents in 2015. UPS provides services to 10 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 for UPS-Fliway 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. These interfaces can 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

GROWTH AND STRATEGY

Fliway's strategic priorities are to develop and deliver:

- Engaged High Performance Culture
- Excellent Customer Service
- Stronger Commercial Results

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:

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)

OPTIMISING CAPACITY

To maximise operating leverage, including through optimising its capacity utilisation 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.

ENTERING NEW MARKETS

Fliway has specialist equipment, facilities, technology 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.

03 GROUP FINANCIALS

SECTION THREE
GROUP FINANCIALS

INCOME STATEMENT $000's	FY16	FY15	VAR	
Revenue	82,644	84,169	(1.8)%	▼
Share of joint venture profit	1,282	1,147	11.8%	▲
Disbursement costs	(21,543)	(22,515)	4.3%	
Depreciation and amortisation	(2,087)	(2,030)	(2.8)%	
Freight costs	(3,502)	(4,530)	22.7%	
Rental and leasing charges	(7,259)	(6,997)	(3.7)%	
Personnel costs	(29,627)	(28,876)	(2.6)%	
Vehicle expenses	(5,679)	(6,552)	13.3%	
Other operating expenses	(6,128)	(9,139)	32.9%	
Reported EBIT	**8,101**	**4,677**	**73.2%**	▲
UPS-Fliway NPAT to EBIT gross up	501	438	14.4%	▲
NZX Listing Costs	-	2,035		
Ongoing Public Company Costs	-	(320)		
Underlying EBIT	**8,602**	**6,830**	**25.9%**	▲
Depreciation (incl loss on sale & JV depn)	2,215	2,150		
Underlying EBITDA	**10,817**	**8,980**	**20.5%**	▲
Earnings per Share (in cents)	12.4	5.5		
Capital Employed	38,560	37,913		
Return on Capital Employed (ROCE)	**22.3%**	**18.0%**		▲
Net Tangible Assets per Security (in cents)	**20**	**14**		▲

Fliway monitors its profitability using the non-GAAP financial measures of Underlying EBIT and EBITDA. The use of EBIT removes the effects of the Fliway Group's capital structure and tax position and the impact of non-cash fair value movements in financial instruments. The use of EBITDA also further removes the effect of depreciation and amortisation.

A reconciliation between Underlying EBIT, EBITDA and NPAT is presented below. 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. In particular, Fliway grosses up the 50% share of UPS-Fliway joint venture NPAT earnings to make it an EBIT number. This makes the JV's earnings comparable to EBIT derived from other divisions and presents it to the chief decision maker in a consistent format with the other divisions.

Underlying EBITDA , Underlying EBIT and Underlying NPAT are non-GAAP profit measures which reflect a number of historical adjustments to make the historical numbers comparable with Fliway's current numbers as a listed entity.

Return on Capital Employed (ROCE) is calculated as Underlying EBIT / Capital Employed, where Underlying EBIT is as per the reconciliation in the table above, and Capital Employed is calculated as Non Current Assets plus Current Assets (excluding any Cash or Cash Equivalent balances) less Current Liabilities (excluding any Overdraft or Short-Term Debt balances).

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

SECTION THREE
GROUP FINANCIALS (CONTINUED)

The following table shows how Underlying EBITDA, Underlying EBIT and Underlying NPAT reconcile to the Net Profit in our Financial Statements (which are prepared in accordance with NZ IFRS). Note that our financial statements are prepared on a fully NZ IFRS compliant basis.

RECONCILIATION TO UNDERLYING EBITDA, EBIT & NPAT $000's	FY16	FY15	VAR
Net Profit per Financial Statements	**5,616**	**2,190**	**156.4%** ▲
Reconciling items:			
UPS-Fliway NPAT to EBITDA gross up	507	446	
Tax	1,684	1,215	
Financing	801	1,272	
Ongoing Public Company Costs	-	(320)	
NZX Listing Costs	-	2,035	
Depreciation (incl loss on sale)	2,209	2,142	
Underlying EBITDA	**10,817**	**8,980**	**20.5%** ▲
Depreciation (incl loss on sale & JV depn)	2,215	2,150	
Underlying EBIT	**8,602**	**6,830**	**25.9%** ▲
UPS-Fliway adjust to NPAT	(501)	(438)	
Net interest cost	(571)	(928)	
Gain/(Loss) on Derivatives	(230)	(344)	
Income tax expense	(1,684)	(1,125)	
Underlying NPAT	**5,616**	**3,995**	**40.6%** ▲

DELIVERING TRANSPORT SOLUTIONS

04

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

SECTION FOUR
REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors present Fliways' second Annual Report as an NZX Main Board listed company. This report discusses the consolidated financial result of the Fliway Group for the 12 months ended 30 June 2016.

OPERATING PERFORMANCE

Group revenue of $82.6 million for the year was below FY15 by 1.8 per cent, however, Underlying EBITDA of $10.8 million for the year was up by 20.5 per cent. Net Profit after Tax (NPAT) of $5.6 million was significantly higher than the prior year (due to the prior period being impacted by one off costs related to listing on the NZX and a number of non-cash IFRS adjustments). After adjustments are made to make the numbers comparable, the Underlying NPAT lift year on year was +40.6%.

December 2015 was the end of the prospective financial information (PFI) period for Fliway and coincided with the release of the interim results for the first half of FY16. The performance of the business to December 2015 and the end of the PFI period, was well ahead of that contemplated in the prospectus forecast for the company at the time of listing.

Since the release of last year's result, shareholders have been informed that delivering the revenue line of the business to expectations was proving difficult. International shipping rates have been low all year in the freight forwarding business and domestically, declining fuel costs have been passed on to customers via the fuel adjustment factor, also impacting revenues. Whilst new customers have been on-boarded in the period under review, the business has also had to deal with the receivership of Dick Smith and as previously announced, the loss of a significant customer who chose to consolidate their supply chain requirements with one of their other existing suppliers.

The goal is clear, to make this a more profitable business we must make it a bigger business.

DIVIDEND

A fully imputed interim dividend of 3.3 cents per share (a gross amount of 4.6 cents per share) was declared in February 2016 and paid on 20 April 2016. In line with the Fliway dividend policy, Directors have declared a fully imputed final dividend of 5.35 cents per share (a gross amount of 7.4 cents per share). For the full financial year, this represents a fully imputed annual dividend of 8.65 cents per share (a gross amount of 12.0 cents per share). The final dividend will be payable on 20th October 2016 to shareholders recorded on the share register as at 5pm (New Zealand time) on 30 September 2016.

REVIEW OF OPERATIONS: HEALTH AND SAFETY

Health and Safety is a daily focus throughout the business driven by Fliway's vision of "100% Home Safely" targeting zero fatalities, injuries and vehicle accidents.

The Health & Safety Roadmap for FY16 focused on 5 key pillars:

- Increased Awareness & Engagement
- Visitor & Contractor Management
- Reporting & Reduction of Lost Time Injuries (LTIs)
- Reducing Frequency / Severity of Back Injuries
- Effectiveness of Sharing Health & Saftey Information

In FY16, there were no fatalities and there was a 3.6% reduction in the Lost Time Injury Frequency Rate year on year. This measure calculates any time off (1 day +) for Fliway staff who have been injured at work. Fliway Group also retained its Tertiary ACC accreditation for a further 2 year period.

Along with safety at work, Fliway implemented a "kick start 2016" campaign around wellbeing, targeting healthy eating, hydration and exercise. This initiative was positively received, and increased knowledge around personal behaviours and wellbeing, along with some healthy competition across Fliway's team.


Craig Stobo,
Chairman


Duncan Hawkesby,
Managing Director

SECTION FOUR
REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

This year Fliway launched an Employee Assistance Programme to support team members with a wider range of personal issues, providing ways of dealing and coping with situations.

Fliway developed, consulted on and implemented an updated 'Drug & Alcohol' policy and 'Respectful Workplace' policy throughout the business, supported by training and communication. The Drug & Alcohol policy outlines pre-employment, post incident, reasonable cause and random testing, as well as the use of drug dogs on sites.

In FY16 a new Health and Safety Manager role was created to provide further support and technical guidance throughout the business, and FY17 will see Fliway implement a new 5 Star Safety rating audit and review process for all Fliway sites. This initiative will support the delivery of the Health and Safety Roadmap.

PEOPLE

During FY16 Fliway continued with the roadmap established in the prior year, which has been focused on supporting and developing the team within Fliway and its cultural readiness to change and adapt. The core focus areas are:

- Leadership impact
- Engaged workforce
- Developing talent
- Getting the fundamentals right, first time, everytime

Fliway welcomed two new members to the Senior Leadership team during the year, with Jon Gundy in the role of General Manager International, and Colin Burrow in the position of Chief Information Officer. These appointments complement the existing leadership and senior management team in supporting people to grow, adapt and provide excellent customer service to Fliway's valued customers.

Fliway's staff turnover decreased for a second consecutive year, down 7.5% on the prior year. This was supported by engagement and talent development initiatives that saw Fliway fill 26% of all vacant positions internally through either lateral moves or promotion. This represents an increase of 20% from the previous year and is on track with Fliway's 3-5 year goal of 50% of all vacant roles being filled by internal talent.

In line with Fliway's focus areas, returning employees filled 6% of the vacant positions and 5% of the roles were recruited with a candidate referred by one of Fliway's current team members, both of which are strategies to encourage engagement and involvement within the business.

Fliway conducted a workplace engagement survey in January 2016. Our workplace culture satisfaction score increased by 5% on the prior 12 month survey, with positive changes in communication, trust and clarity of expectations.

The plan is to build on this in FY17 through our people initiatives supporting the strategic priorities of:

- Engaged high performance culture
- Excellent customer service
- Stronger commercial results

FLIWAY DOMESTIC

FINANCIAL PERFORMANCE ($'000)	FY16	FY15	VAR	
Revenue	55,682	55,810	(0.2)%	▼
Underlying EBITDA	**10,170**	**8,390**	**21.2%**	▲
EBITDA %	18.3%	15.0%	3.3%	▲
Underlying EBIT	**8,170**	**6,579**	**24.2%**	▲

Operating revenue of $55.682 million for the year was 0.2% lower than FY15, as a result of continued lower fuel recovery, the Dick Smith receivership and general customer trading levels. Underlying EBITDA was $10.170 million for the year, 21.2% ahead of the prior comparable period.

Within the Domestic division, the Transport business unit continued to improve its operating costs as a result of previous capital investment and improved capacity utilisation resulting from selling to capacity in the Fliway network. Investment in the new Christchurch facility has delivered gains for the Transport business with improvements in freight

SECTION FOUR
REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

handling and overall operational efficiency and leaves the region well positioned for further growth.

In the Logistics business unit, anticipated revenue growth occurred ahead of forecast. Solid revenue growth was capitalised on with equally solid operating cost management, resulting in a year of record profitability in this business unit. Particularly pleasing was the key performance indicator of Inventory Record Accuracy (IRA), which reached a new high within the year validating improved systems and processes put in place by management. Logistics also relocated to the new Christchurch premise, four months after the Transport business unit relocation, with the new facility yielding immediate benefits as existing customers consumed additional space contemporaneously.

The Domestic, new business development team (Sales), over-delivered for the second year in a row against internal revenue budgets. New customers were gained across New Zealand and new market sectors were successfully entered. In some cases Fliway became the dominant domestic transport provider to that sector. Our approach to new sectors remains a key focus for FY17, along with maximising the property investment made in FY16.

FLIWAY INTERNATIONAL

FINANCIAL PERFORMANCE ($'000)	FY16	FY15	VAR	
Revenue	26,962	28,359	(4.9)%	▼
Underlying EBITDA	**3,575**	**3,873**	**(7.7)%**	▼
EBITDA %	13.3%	13.7%	(0.4)%	▼
Underlying EBIT	**3,484**	**3,774**	**(7.7)%**	▼

Operating revenue of $26.962 million for the year was 4.9% lower than the previous year. This was driven by lower shipping rates, lower volumes from existing customers and some customer loss in a highly competitive environment. Underlying EBITDA was $3.575 million for the year, 7.7% lower than FY15 as not only revenue levels were compressed but margins were also adversely impacted.

The division has a new General Manager, Jon Gundy, and under Jon's new leadership the business unit remains focused on retaining customers through the delivery of exceptional service, bringing on new customers and ensuring its cost base is optimised.

Air freight imports are a strong opportunity for the International division to leverage and grow. Fliway International is targeting high value supply chains that are looking to hub inventory through Australia and Asia. The division offers a strong competency in this area, supported by its growing Customs Clearance volumes, and strategic capabilities in respect of cross docking freight through sites in Auckland, Christchurch and Wellington.

The International division is also focussed on both Ocean and Air freight export growth in the Trans-Tasman and Asia markets, where Fliway is working closely with its network partners.

Fliway International's key objectives for FY17 remain unchanged, 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	FY16	FY15	VAR
Total Number of Shipments via SEA	3,710	5,028	
Total Number of Shipments via AIR	4,543	4,606	
Total Number of Shipments	**8,253**	**9,634**	▼
Brokerage			
Total number of clearances	**106,973**	**99,563**	▲

SECTION FOUR
REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

UPS-FLIWAY (JOINT VENTURE - 50% ONLY)

FINANCIAL PERFORMANCE ($'000)	FY16	FY15	VAR	
Segment Profit (50%)	1,788	1,593	12.3%	▲
NPAT (50%)	**1,282**	**1,147**	**11.8%**	▲
Dividend Received	**750**	**950**		▼

FY16 was another year of strong contribution to the Group by our joint venture (JV), UPS-Fliway. Continued growth in revenue and cost savings initiated and achieved during the year resulted in a double digit earnings growth for the second year in a row from the joint venture.

Increased working capital requirements absorbing the cash headroom in the JV were the driver behind a lower cash dividend payment this year. This is a timing issue and does not impact on the quantum of the JV earnings.

HEAD OFFICE

FINANCIAL PERFORMANCE ($'000)	FY16	FY15	VAR	
Reported EBITDA	(4,717)	(6,663)		
Listing Costs	-	2,035		
Public company costs	-	(320)	-	
Loss on Sale	1	72	-	
UNDERLYING EBITDA	**(4,716)**	**(4,876)**	**3.3%**	▼
UNDERLYING EBIT	**(4,834)**	**(5,107)**	**5.3%**	▼
Dispute de minimis impact	**249**	**(175)**		

As noted in the Offer Documents issued in March 2015, Fliway was in a dispute with a past customer. The outcome of all disputes preceding the listing, are covered by the selling shareholder indemnity, however the indemnity does have a $0.250 million de minimis provision in it, which means a claim can't be made against the indemnity unless it exceeds $0.250 million. In FY15 Fliway had lifted it's accrual to $0.249 million on the basis that the dispute may not reach the de minimus level. In FY16 the dispute was settled, the costs associated with settling the dispute exceeded the de minimus amount so the accrual was written back. This accrual and subsequent write back distorts the comparison of Head Office costs year on year, so is noted separately at the bottom of the table above.

Other adjustments required in order to make the prior year comparable to the current year, is to back out the one off listing cost incurred in FY15 and adjust the FY15 cost level to equate them to being a public listed company for the full year.

After taking the de minimis reversal into account, Head Office costs levels increased in FY16 by $0.265 million (5.6%), in part due to the record profitability of the financial results leading to management bonuses, increased Health & Safety investment and resource, and additional investment in IT, in line with our strategy of gaining efficiencies from the use of technology.

SECTION FOUR
REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

CAPITAL EXPENDITURE

($'000)	FY16	FY15	VAR
Trucks and vans	1,150	1,543	
Truck and trailer	395	2,262	
IT	744	299	
Other	316	501	
Disposals	(131)	(264)	
Net capital expenditure	**2,474**	**4,341**	▼

Capex for FY16 was $2.474 million, lower than FY15 and in line with on-going capital expenditure levels indicated at the time of listing. The upgrade of the Logistics operational IT system, to SCE10.3, dominated the IT spend for FY16 and is a project the business is aiming to have completed within the next twelve months. The 'Other' spend was principally costs associated with relocating the Christchurch facility in addition to some further racking purchases to enable increased warehouse freight density.

Whilst the total capex figure exceeded the depreciation and amortisation charge in FY16 of $2.087 million, there is an element of growth capital in the new warehouse management system and the new larger Christchurch facility.

NET DEBT

($'000)	FY16	FY15	VAR
Cash on hand	4,009	6,837	
Interest bearing debt	(9,800)	(15,000)	
Total net debt	**(5,791)**	**(8,163)**	**29.1%** ▼

Net Debt was $5.791 million, 29.1% lower than the previous year, as a result of stable working capital and improved cash operating results. During the year the $18 million debt facility Fliway has with ANZ Bank was revised to be a fully re-drawable facility, which enables efficient management of net debt without any loss of capacity or flexibility.

SECTION FOUR
REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR (CONTINUED)

CONCLUSION

Fliway has delivered another satisfactory result, achieving record underlying EBITDA in FY16. Fliway exceeded its PFI forecasts and objectives through to December 2015, and went on to finish the year at even higher levels of financial performance. There are still areas of the business where we can do better, with volatile revenue meaning we need to remain vigilant around levels of cost. Management is focused on building the business, delivering those improvements and protecting profitability.

Our Domestic division has produced a much improved result across its branches and warehouses, with clear opportunities to deliver improved operational and financial performance. The International business had to respond to competitive dynamics with lower shipping rates and volatile volumes, which impacted on a weaker International result. Our International team now has new leadership and is responding well to these ongoing 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 their contribution to the company. We would also like to acknowledge and thank our customers and our joint venture partner UPS for their continuing support.

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 pitching for work in new sectors, and looking to grow strategically through acquisitions.

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

Craig Stobo
Chairman

Duncan Hawkesby
Managing Director

22nd August 2016

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

05

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 was elected to the Board in 2015 and Chaired the business through the April 2015 NZX listing. Educated at the University of Otago and Wharton Business School, Craig has worked as a diplomat, economist, investment banker, and as chief executive officer. He has authored reports for the Government on "The Taxation of Investment Income", chaired the Government's International Financial Services Development group in 2010, and chaired the Establishment Board of the Local Government Funding Agency in 2011.

Craig is a professional director and entrepreneur. In addition to chairing Fliway Group, he is chairman of the New Zealand Local Government Funding Agency (LGFA), AIG Insurance NZ, Precinct Properties, Saturn Portfolio Management, Elevation Capital Management, Bureau, and Biomarine Group.

Alan Isaac

Independent Non-executive Director

Alan was elected to the Board in 2015 and assisted the business through the April 2015 NZX listing. Alan was the President of the International Cricket Council until June 2014 and is currently Chairman of Acurity Health Group, Chairman of McGrathNicol and Partners NZ, a Director of Scales Corporation, Opus International Consultants, AKA Investments, Murray Capital General Partner, New Zealand Vault, Rakaia Fund Investments and Oceania Healthcare (NZ). Alan has an extensive background in the accounting and finance field and is a former National Chairman of KPMG. He was made a Companion of the New Zealand Order of Merit (CNZM) in 2013 for services to cricket and business. Alan is Chairman of Fliway's Audit and Risk Management Committee.

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 nine years' experience working in the New Zealand transport sector.

SECTION FIVE
LEADERSHIP PROFILES (CONTINUED)

FLIWAY SENIOR MANAGEMENT TEAM

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

Duncan Hawkesby

Managing Director

See Section above *Fliway Board of Directors*.

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 (Brisbane, 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 17 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 25 years' experience in the logistics industry.

SECTION FIVE
LEADERSHIP PROFILES (CONTINUED)

Jon Gundy
General Manager International

Jon started as the GM International in July 2016. Jon has held senior leadership roles in the International Air & Ocean sector. Inclusive of leading an International Business in New Zealand of 13 Branches and a turnover of $150 million per annum through a growth period of 9 years up until 2011 when he relocated to Europe. During his time in Europe, Jon led an International Business that expanded into France, Germany and other Eastern Europe regions. His experience includes Operational and Sales experience with the full Supply Chain.

Colin Burrow
Chief Information Officer

Colin re-joined Fliway in March 2016 after almost 5 years with another major Auckland-based transport and logistics company, having been IT Applications Manager with Fliway prior to that. He has worked for many years as either CIO or IT Manager for a number of transport and logistics organisations in New Zealand, offering 15 years experience in this sector over a 30 year career involved with IT. Colin has a Diploma in Business (Information Systems) from the University of Auckland.

Kate Bacchus
General Manager People

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 in both 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.

06 FINANCIAL STATEMENTS

SECTION SIX
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016
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 31 to 56, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board of Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibilities

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

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

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

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

Opinion

In our opinion, the consolidated financial statements on pages 31 to 56 present fairly, in all material respects, the financial position of Fliway Group Limited and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte

Chartered Accountants
22 August, 2016
Auckland, New Zealand

FOR THE YEAR ENDED 30 JUNE 2016
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

FOR THE YEAR ENDED 30 JUNE 2016
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

AS AT 30 JUNE 2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	2016 $'000	2015 $'000
Current assets			
Bank		4,009	6,837
Trade and other receivables	*16*	9,465	9,785
Prepayments		430	468
Total current assets		**13,904**	**17,090**
Non-current assets			
Deferred tax asset	*7*	524	557
Property, plant and equipment	*8*	10,205	10,438
Software	*9*	826	334
Investment in joint venture	*12*	2,190	1,658
Goodwill	*10*	23,046	23,046
Total non-current assets		**36,791**	**36,033**
Total assets		**50,695**	**53,123**
Current liabilities			
Trade and other payables	*17*	7,199	7,656
Current tax liability		541	448
Derivative financial instruments		133	89
Total Current liabilities		**7,873**	**8,193**
Non-current liabilities			
Bank term loan	*18*	9,800	15,000
Derivative financial instruments		253	180
Total non-current liabilities		**10,053**	**15,180**
Total liabilities		**17,926**	**23,373**
Net assets		**32,769**	**29,750**
Equity			
Issued capital	*13*	8,769	8,769
Retained earnings		24,000	20,981
Total equity		**32,769**	**29,750**

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 2016
CONSOLIDATED STATEMENT OF CASH FLOWS

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

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 2016
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	2016 $'000	2015 $'000
Reconciliation of profit after tax with net cash generated by operating activities		
Profit after tax	**5,616**	**2,190**
Non-cash items:		
Depreciation and amortisation	2,087	2,030
Derivative financial instruments	118	303
Share of joint venture net profit	(1,282)	(1,147)
Deferred tax	33	(169)
Items classified as investing and financing activities:		
Loss on disposal of non current assets	122	112
Other classified as investing activities	-	32
Changes in net assets and liabilities:		
Trade and other receivables	320	1,442
Prepayments	38	(106)
Trade and other payables	(457)	942
Current tax	93	33
Net cash generated by operating activities	**6,688**	**5,661**

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

Alan Isaac
Director

Duncan Hawkesby
Managing Director

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial statements of Fliway Group Limited (the "Company") and its subsidiaries and joint venture (together the "Group") for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors.

Fliway Group Limited listed on the New Zealand Stock Exchange on 9 April 2015. Its principal activities are transportation of goods, customer logistics solutions and freight forwarding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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

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

(b) Basis of Preparation

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

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

Judgements and estimates which are considered material to the Group:

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

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that are measured at fair values at the end of each reporting period.

The functional and presentation currency is New Zealand dollars (NZD). Numbers in the consolidated financial statements are presented in thousands of dollars (000's) unless otherwise stated.

(c) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable the economic benefits will flow to the Group and the revenue can be reliably measured. Specific recognition criteria must also be met as follows:

Rendering of Services

"Revenue for all domestic contracted deliveries is recognised based on the stage of service complete at balance date. Revenues derived from international freight forwarding are recognised for exports on freight departure and for imports on freight arrival. Fees for warehousing are recognised as services are provided to the customer."

(d) Foreign Currency Transactions

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Basis of Consolidation

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

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

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

(f) Other Accounting Policies

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

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

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

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

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

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

(h) Consistency of application

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

3. SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

3. SEGMENT REPORTING (CONT.)

2016	Domestic $'000	International $'000	Joint Venture $'000	Head Office $'000	Inter-Segment $'000	Group $'000
Revenue						
Sales to customers outside the Group	55,682	26,962	-	-	-	82,644
Inter-segment sales	172	24	-	-	(196)	-
Total revenue	**55,854**	**26,986**	**-**	**-**	**(196)**	**82,644**
Segment profit (loss) before income tax	**10,170**	**3,575**	**1,788**	**(4,716)**	**-**	**10,817**
Share of joint venture interest, depreciation, tax*	-	-	(507)	-	-	(507)
Gain/(loss) on sale of assets	(110)	(11)	-	(1)	-	(122)
EBITDA	**10,060**	**3,564**	**1,281**	**(4,717)**	**-**	**10,188**
Key costs						
Depreciation and amortisation	(1,890)	(80)	-	(117)	-	(2,087)
Disbursements costs	(2,704)	(19,035)	-	-	196	(21,543)
Personnel costs	(23,177)	(3,513)	-	(2,937)	-	(29,627)
Net financing expenses	-	-	-	(801)	-	(801)
Segment Assets	35,771	7,525	2,865	4,534	-	50,695
Segment Liabilities	3,734	4,566	19	9,607	-	17,926
Segment acquisition of property, plant, equipment and computer software	2,345	197	-	63	-	2,605

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

3. SEGMENT REPORTING (CONT.)

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

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

*Adjustment 50% share of joint venture interest, tax, depreciation derived as follows:

	2016 $'000	2015 $'000
Interest income	(9)	(19)
Depreciation and amortisation	11	18
Tax expense	1,012	893
Adjustment to joint venture profit	**1,014**	**892**
Group share 50%	507	446

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

4. PERSONNEL COSTS

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

5. OTHER OPERATING EXPENSES

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

6. NET FINANCING EXPENSES

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

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

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

7. TAXATION

	2016 $'000	2015 $'000
Income tax expense		
Current tax	1,666	1,387
Deferred tax	33	(170)
Under (over) provision in previous years	(15)	(2)
Income tax expense for the year	**1,684**	**1,215**
Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at balance date.		
Reconciliation of effective tax rate:		
Profit before income tax	7,300	3,405
Income tax using company tax rate 28%	2,044	953
Non-assessable income - share of joint venture profit after tax	(359)	(321)
Non-deductible expenses	14	585
Under / (over) provision in previous years	(15)	(2)
	1,684	**1,215**

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

7. TAXATION (CONTINUED)

Deferred tax asset

	Opening balance $'000	Charged to income $'000	Closing Balance $'000
30 June 2016			
Temporary differences:			
Doubtful debts	23	8	31
Holiday liability	237	22	259
Provisions	297	(63)	234
	557	**(33)**	**524**

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

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

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

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

FOR THE YEAR ENDED 30 JUNE 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

8. PROPERTY, PLANT AND EQUIPMENT

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

Carrying Amount

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

Depreciation

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

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

8. PROPERTY, PLANT AND EQUIPMENT (CONT.)

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

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

Assets pledged as security

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

9. INTANGIBLES

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

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

Computer software	21.6% to 60%

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

10. GOODWILL

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

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

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

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

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

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

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

11. INVESTMENT IN SUBSIDIARIES

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

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

FOR THE YEAR ENDED 30 JUNE 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

12. INVESTMENT IN JOINT VENTURE

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

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

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

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

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

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

13. SHARE CAPITAL

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

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

14. EARNINGS PER SHARE

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

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

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

FOR THE YEAR ENDED 30 JUNE 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

15. DIVIDEND

	2016	2015
Dividends recognised and unrecognised $'000	3,937	1,091
Weighted average number of ordinary shares	45,437,910	39,617,636
Dividends per share (in cents)	8.65	2.75

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

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

16.TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade Receivables	8,622	8,965
Allowance for impairment loss	(109)	(81)
Related party receivables	676	577
Other receivables	276	324
	9,465	**9,785**

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

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

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

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

FOR THE YEAR ENDED 30 JUNE 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

17. TRADE AND OTHER PAYABLES

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

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

18. INTEREST-BEARING LOANS

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

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

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

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

19. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

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

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

(i) Fair value of financial instruments

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

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

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

> level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

> level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly;

> level 3 inputs are unobservable inputs for the asset or liability.

(ii) Interest rate risk management

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

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

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

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

Interest rate sensitivity:

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

Interest rate swap contracts:

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

19. FINANCIAL RISK MANAGEMENT (CONT.)

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

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

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

(iii) Liquidity risk management

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

Financial liabilities undiscounted contractual cash flows:

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

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

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

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

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

(iv) Credit risk management

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

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

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

19. FINANCIAL RISK MANAGEMENT (CONT.)

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

(v) Foreign currency risk management

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

(vi) Capital management

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

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

Capital requirements are imposed on the Group by the bank. When the Group does not comply with these requirements, the bank may cancel the facility immediately with all amounts due and payable upon demand. During the year, the Group complied with its covenant requirements. Key covenant requirements are as follows:

> Interest cover ratio greater than 3.5

> Leverage ratio less than 3.0

> Capital expenditure within the current year budget approved by the bank

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

The Group's overall strategy remains unchanged from 2015.

(vii) Categories of financial assets and financial liabilities

	2016 $'000	2015 $'000
Financial assets		
Bank and receivables at amortised cost	13,474	16,622
	13,474	**16,622**
Financial assets		
Derivatives classified as fair value through profit or loss	386	269
Loan and other payables at amortised cost	14,432	20,357
	14,818	**20,626**

FOR THE YEAR ENDED 30 JUNE 2016
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

20. RELATED PARTIES

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

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

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

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

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

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

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

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

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

21. COMMITMENTS

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

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

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

22. CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2016 the bank had issued Fliway Group Limited a $900,000 bond in favour of Macquarie Goodman in relation to the lease of 66 Westney Road, Auckland expiring 30/08/2018, a $39,000 bond to IATA (International Air Transport Association), and a $75,000 bond to the NZX while the company remains publicly listed.

As part of the public offering the selling shareholders entered into a deed of indemnity in favour of Fliway (the Selling Shareholder Indemnity) dated 5th March 2015. Under the Selling Shareholder Indemnity, the shareholders have agreed to indemnify Fliway against any loss of earnings as a result of a third party claim relating to an event that occurred before allotment of shares. Fliway must not make a claim under the Selling Shareholder Indemnity unless the amount of the claim exceeds $250,000. The Selling Shareholders' liability under the Selling Shareholder Indemnity is limited to an aggregate maximum amount of $3 million. The limit reduces annually to $nil by 2020.

23. SUBSEQUENT EVENTS

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


FLIWAY
DELIVERING TRANSPORT SOLUTIONS
ISUZU
HCC514
C332
Whangarei
Auckland
Hamilton
Tauranga
Palmerston North
Wellington
Blenheim
Christchurch
Dunedin

07 STATUTORY INFORMATION

SECTION SIX
STATUTORY INFORMATION

DIRECTORS

The following persons were Directors of Fliway and its subsidiaries during the year ended 30 June 2016:

Fliway Group Limited

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

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 2016:

United Parcel Service - 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 2015 and 30 June 2016:

Indemnification and Insurance of Directors

As permitted by the company's Constitution and in accordance with Section 162 of the Companies Act 1993, the Group has indemnified all Directors and arranged directors' and officers' liability insurance which ensures that, to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken 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 SIX
STATUTORY INFORMATION (CONTINUED)

Share Dealings by Directors

Dealings by Directors in relevant interests in Fliways' ordinary shares during the period 1 July 2015 to 30 June 2016, as entered in the Interests Register of Fliway were:

Craig Stobo

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Transaction
21,000	Registered Holder together with Gillian Stobo and Richard Johnston, as trustees of the Stobo Family Trust, of which Craig Stobo is a discretionary beneficiary	Acquisition	$1.07 per share	13th October 2015
5,000		Acquisition	$1.05 per share	20th October 2015
5,000		Acquisition	$1.09 per share	24th March 2016
3,400		Acquisition	$1.08 per share	31st March 2016

Alan Isaac

No. of Shares	Nature of Relevant Interest	Acquisition/Disposal	Consideration	Date of Transaction
20,000	Registered Holder together with Andrew Dinsdale, and Alasdair McBeth, as trustees of the Isaac Family Trust, of which Alan Isaac is a discretionary beneficiary	Acquisition	$1.02 per share	21st September 2015
10,000		Acquisition	$1.10 per share	25th February 2016

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 8th 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$)
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.

SECTION SIX
STATUTORY INFORMATION (CONTINUED)

General Notice of Disclosure of Interest in the Interests Register

Details of changes to Directors' general disclosures entered in the relevant interest register for Fliway or its subsidiaries during the period 1 July 2015 to 30 June 2016 are as follows:

FLIWAY GROUP LIMITED

Craig Stobo

Bureau Limited	Appointed as a Director
SPM Properties Limited	Appointed as a Director

Alan Isaac

Department of Corrections (Audit & Risk Committee)	Ceased to be Chairman
Oceania Healthcare Limited	Appointed as Director
Rakaia Finance Limited	Ceased to be a Director
SCL Limited	Ceased to be a Director

RELEVANT INTERESTS

The table below records the Fliway ordinary shares in which each Director of Fliway had a relevant interest as at 30 June 2016.

Director	Number of Ordinary Shares – Beneficial	Number of Ordinary Shares – Non-Beneficial
Craig Stobo	54,400	Nil
Alan Isaac	50,000	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 5th 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 2015 to 30 June 2016 was as follows:

Craig Stobo	$80,000
Alan Isaac	$60,000

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 $242,386 (during the period 1 July 2015 to June 30 2016).

SECTION SIX
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 2015 to 30 June 2016 is set out in the remuneration bands detailed below:

Amount of Remuneration	# Employees
$100,000 - $110,000	8
$110,000 - $120,000	8
$120,000 - $130,000	2
$130,000 - $140,000	1
$140,000 - $150,000	5
$150,000 - $160,000	2
$160,000 - $170,000	1
$170,000 - $180,000	2
$250,000 - $260,000	1
$310,000 - $320,000	1
$400,000 - $410,000	2
$650,000 - $660,000	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 2016 was $127,000. The amount of fees payable to Deloitte for non-audit work during the year ended 30 June 2016 was $30,000. A full breakdown of fees payable to the auditor is provided on page 40.

SHAREHOLDER INFORMATION

Spread of Shares

Set out below are details of the spread of shareholders of Fliway as at 1 September 2016:

Range	Number of Shareholders	Number of Shares	% of Shares
1-1,000	62	46,700	0.10
1,001-5,000	406	1,403,511	3.09
5,001-10,000	245	2,148,002	4.73
10,001-50,000	218	5,349,370	11.77
50,001-100,000	18	1,266,647	2.79
Over 100,000	18	35,223,680	77.52

SECTION SIX
STATUTORY INFORMATION (CONTINUED)

20 Largest Shareholders

Set out below are details of the 20 largest shareholders of Fliway as at 1 September 2016:

Rank	Shareholder	Number of Shares	% Shares
1	Duncan John Hawkesby & Gretchen Sarah Hawkesby	24,604,576	54.15
2	Guardian Nominees No 2 Ltd	1,795,875	3.95
3	National Nominees New Zealand Limited	1,223,961	2.69
4	Forsyth Barr Custodians Limited	1,050,000	2.31
5	FNZ Custodians Limited	925,231	2.04
6	Ace Finance Limited	663,500	1.46
7	Yong Zhong	650,000	1.43
8	Li Hua Chen	650,000	1.43
9	Cogent Nominees Limited	520,000	1.14
10	Custodial Services Limited	439,316	0.97
11	Forsyth Barr Custodians Ltd	436,677	0.96
12	Chin Hwa Wu Yu	300,000	0.66
13	Hsiao Pau Yu & Chin Hwa Yu	300,000	0.66
14	Roger John Williams	286,000	0.63
15	Jiang Lin	250,000	0.55
16	Geoffrey Stewart Wilkinson	225,000	0.50
17	BNP Paribas Nominees NZ Limited	197,755	0.44
18	Tea Custodians Limited	166,539	0.37
19	Paradise Finance Limited	150,000	0.33
20	Custodial Services Limited	142,750	0.31
Total		**35,223,680**	**77.53**

Substantial Product Holders

Set out below are details of the substantial product holders of Fliway as advised by notice to Fliway at 30 June 2016. The number of shares shown below is as advised in the most recent substantial product holder notices given to Fliway and may not be their holding as at 30 June 2016.

Name	Number of Shares Held	Class of Shares
Duncan John Hawkesby and Gretchen Sarah Hawkesby as Trustees of the D & G Hawkesby Trust	24,604,576	Ordinary
Salt Funds Management Limited	2,762,740	Ordinary

The total number of Fliway Group Limited ordinary shares on issue at 30 June 2016 was 45,437,910.

OTHER INFORMATION

NZX Waivers

Fliway did not rely upon any waivers granted by NZX Limited during the year ended 30 June 2016.

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 2016.

Donations

Donations of $100 were made by Fliway Group during the year ended 30 June 2016.

08

CORPORATE GOVERNANCE

SECTION SEVEN
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 Fliways' 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 company also complies with the principles in the Financial Markets Authority's *Corporate Governance in New Zealand Principles and Guidelines* and with the corporate governance requirements of the *NZX Listing Rules*.

The full content of Fliways' corporate governance policies, practices and procedures can be found in the company's Corporate Governance Manual, which is available in the "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 to:

- 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 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 "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 25 of this report. The profiles include information on the year of appointment, skills, experience and background of each Director.

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, and therefore is not an independent director.

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 entire Board acts as the Nominations and Remuneration Committee contemplated by the Listing Rules.

Audit and Risk 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.

Attendance at Meetings

The table below sets out Director attendance at Board and Committee meetings during the year ended 30 June 2016. In total there were ten Board meetings and five Audit and Risk Committee meetings.

	BOARD		AUDIT AND RISK MANAGEMENT COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended
Craig Stobo	10	10	5	5
Duncan Hawkesby	10	10	5	5
Alan Isaac	10	10	5	5

CODE OF ETHICS

Fliway 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.

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.

SECTION SEVEN
CORPORATE GOVERNANCE (CONTINUED)

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 "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 at page 61.

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.

SECTION SEVEN
CORPORATE GOVERNANCE (CONTINUED)

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. Health & Safety statistics and reports from all operating subsidiaries are reviewed at each Board meeting. This includes reporting on serious and minor incidents, near misses, hazards and training.

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 fulfilment 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 be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Particulars of entries made in the Interests Register for the year ended 30 June 2016 are included in the Statutory Information section.

DIRECTORS' AND OFFICERS' INSURANCE

As permitted by the company's Constitution and in accordance with Section 162 of the Companies Act 1993, the Group has indemnified all Directors and arranged Directors' and Officers' Liability Insurance which ensures that, to the extent permitted by law, Directors will incur no monetary loss as a result of actions undertaken 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.

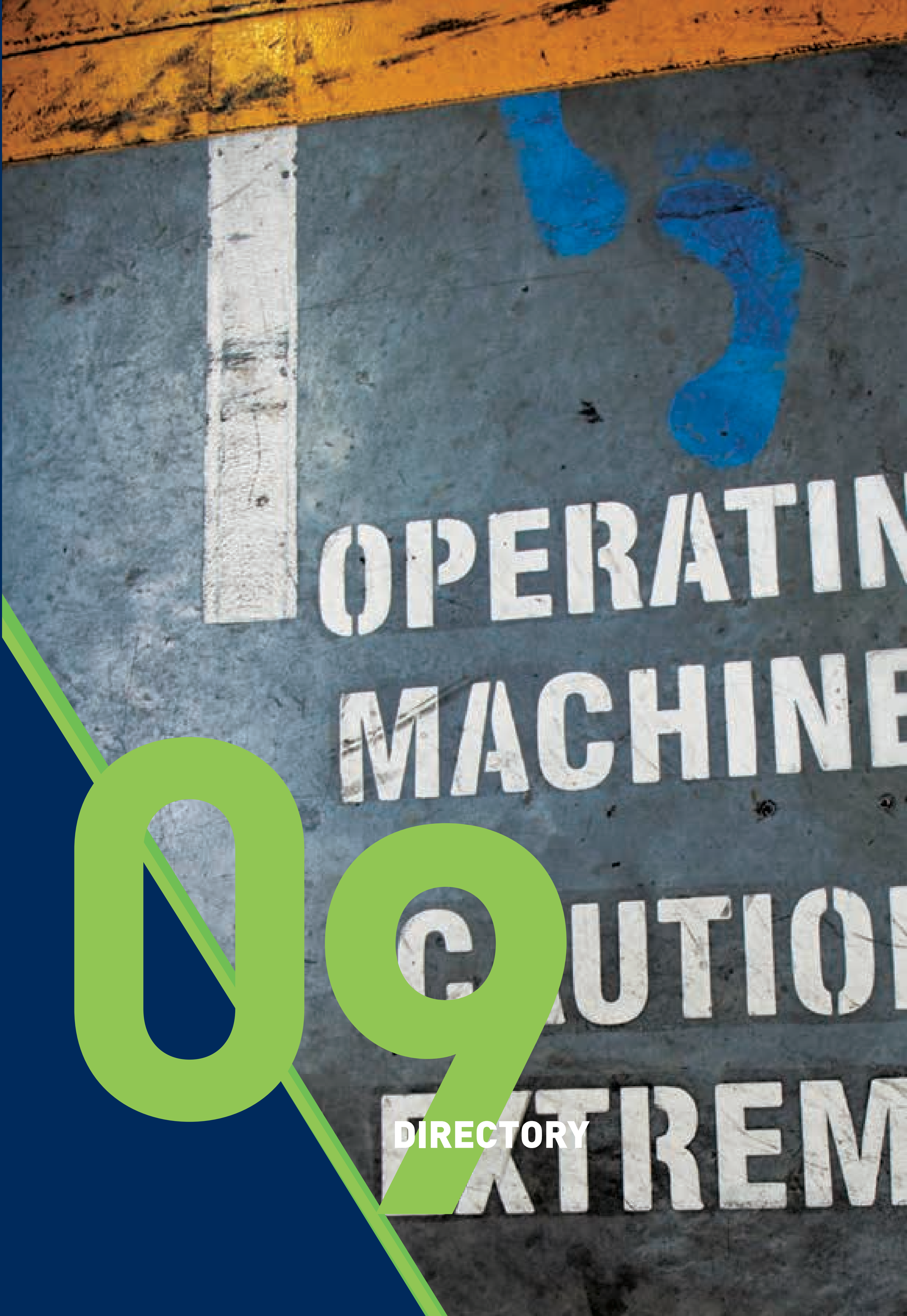
DIVERSITY

Fliway recognises the value in diversity of thinking and skills, 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 philosophies of equal employment opportunities, and anti-harassment and discrimination policies.

The gender composition of Fliway Directors and Senior Managers was as follows:

Position	Female	Male
As at 30 June 2016		
Director	0 (0%)	3(100%)
Senior Managers	1 (20%)	4(80%)
As at 30 June 2015		
Director	0 (0%)	3(100%)
Senior Managers	1 (20%)	4(80%)



09

DIRECTORY

DIRECTORY

Board of Directors

Craig Stobo (Chairman)
Alan Isaac
Duncan Hawkesby

Audit and Risk Committee

Alan Isaac (Chairman)
Craig Stobo
Duncan Hawkesby

Auditor

Deloitte
Deloitte Centre
80 Queen Street
Auckland 1010

Bankers

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

Solicitor

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

Link Market Services
Level 7, Zurich House
21 Queen Street
Auckland

DELIVERING TRANSPORT SOLUTIONS WITH PRIDE FOR 40 YEARS.

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

66 Westney Road
Mangere
Auckland 2022

www.fliway.com