

## Fliway Group Limited

Results for announcement to the market – NZX Appendix 1

Reporting Period	6 months to 31 December 2016
Previous Reporting Period	6 months to 31 December 2015

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$43,221	-1.40%
Profit (loss) from ordinary activities after tax attributable to shareholders	\$2,195	-38.70%
Net profit (loss) attributable to shareholders	\$2,195	-38.70%

Dividends	Amount per share	Imputed amount per share
Interim Ordinary Dividend (for 2017 financial year)	2.00 cents	0.78 cents

Record Date	31-Mar-17
Dividend Payment Date	20-Apr-17

Net Tangible Assets	Current Year	Previous corresponding year
Number of shares	45,437,910	45,437,910
Net Tangible Assets per share	\$0.19	\$0.20

Audit:	The interim financial statements attached to this report have not been audited.
Comments:	Please refer to the attached report for detailed commentary on the results.

**FLIWAY GROUP LIMITED  
INTERIM REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

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**FLIWAY GROUP LIMITED**  
**DIRECTORS REPORT**

**OVERVIEW - BUSINESS DEVELOPMENT SUCCESS**

Stronger performance from the Business Development teams in both the Domestic and International divisions meant revenue for 1H17 was down year on year by only 1.4% despite the customer loss announced in June 2016. The December month's revenue was 5% ahead of last year as the new customer wins and existing customer upgrades delivered a strong revenue finish to the first half of FY17. Further customer contract wins with commencement dates in 2017 have seen us secure additional capacity in both Transport and Warehousing.

Fliway Group performance was impacted by the customer loss. As indicated at the time, it was expected the EBITDA impact could approximate 10% of Fliway's historical EBITDA performance and this has been reflected in the 1H17 results. Issues additionally impacting the business have been capacity constraints in the Transport business unit as a result of internal linehaul equipment availability and the Kaikoura earthquake, which transferred significant rail freight volumes onto road, thereby consuming capacity overflow options over a peak trading period. Customer volumes, particularly in the second quarter, exceeded the network capacity in Transport.

Additional work was gained through the wider relationship with UPS and a number of initiatives were undertaken in the UPS-Fliway joint venture to lower the cost of package delivery in New Zealand, in order to create a more competitive international destination offering and facilitate higher levels of import package growth moving forward.

**DIVISIONAL PERFORMANCE**

**Domestic Division**

Transport volume levels for the six months to December were ahead of last year as a result of the excellent business development work in that division that has seen new accounts either trading or signed, approximating \$5 million in annualised new revenue. The higher freight volumes in the Transport business unit have seen Fliway operating outside its network capacity, requiring short term supplementary capacity solutions that have come at a cost premium due largely to that capacity being consumed by the consequences of the Kaikoura earthquake which significantly increased the road freight task as rail freight was disabled.

Internally, the Transport business unit implemented cost initiatives as a result of anticipated lower volumes that reduced capacity, at a time when new business and customer upgrades saw volumes increase ahead of last years levels. This short term capacity shortfall created cost issues that will have more economic solutions implemented against them in the future.

In the Logistics business unit, warehousing revenues were slightly down on last year, with strong cost management delivering a comparable profit result to last year. As a result of the business development wins in the domestic division, Fliway will be increasing warehouse capacity in Auckland by a further 6,000 square metres, or approx. 20%, in quarter 3 to accommodate the new growth.

The roll out of the new Warehouse Management System is progressing well and will deliver productivity gains once fully implemented.

**International Division**

EBITDA for the division was in line with last year, as a result of strong customer focus and good results from the business development team in winning new customers. The first half of FY17 saw significant changes in Fliway International, with management changes, a continuation of low sea freight rates and some customer churn. The management team of the division has been re-organised and is performing well under the new leadership, strengthening relationships with network partners, customers and carriers.

As part of the customer focus initiatives in International, progress is being made on creating improved technological solutions to deliver for customers improved data and visibility whilst at the same time moving to a paperless environment with improved workflow.

### **UPS-Fliway Joint Venture**

In 1H17 import packages handled by the joint venture grew on the prior year by 13% and with a more competitive import cost, the expectation is to further grow these import volumes to produce higher financial returns in the future. The contribution from the UPS-Fliway joint venture was down on last year, with NPAT down by \$0.155 million, as a result of a strategy designed to improve the cost of delivering a package in New Zealand in order to drive continued import package growth.

### **GROUP CASHFLOWS AND DEBT**

Operating cashflows were \$1.1 million compared to the prior year's half figure of \$3.0 million, as a result of the the lower earnings and an increase in working capital levels by \$1.2 million. The higher revenues in December 2016 pushed debtor levels and with lower payables saw net working capital lift on the prior year, with the intention to manage this position back to historical levels, subject to continued revenue growth.

Net capital expenditure for the half year was \$1.6 million, with \$1.3 million of that spend relating to truck expenditure as Fliway returns to a more normal vehicle replacement cycle. The prior year FY16 truck spend was suppressed due to the significant fleet refresh in FY15 ahead of the NZX listing.

Fliway debt levels at 31 December 2016 were \$8.8 million as compared to a bank facility of \$18 million and represent 1.5 times EBITDA, ensuring the balance sheet gearing still allows room for growth.

### **DIVIDEND**

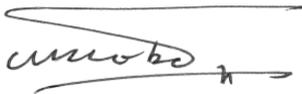
Consistent with prospectus and historical guidance with respect to the percentage of NPAT payable and the weighting between the first half and second half earnings, Fliway's Directors have approved the payment of an interim ordinary dividend of 2.0 cents per share. The dividends are payable on 20 April 2017 to shareholders recorded on the share register as at 5:00pm (New Zealand time) on 31 March 2017.

### **OUTLOOK**

The first half reflects a period of change in the business and a re-positioning for future growth. Transport capacity, margins and cost management remain priorities for the Group in order to convert the significant new customer wins in 1H17 into improved profitability in 2H17.

The balance sheet and declared dividend remain conservative to ensure capacity exists in whatever form required to convert the strong sales pipeline into improved future earnings.

Sales growth remains a focus for the Group as Fliway looks to sell to capacity in its network and increase relationships with existing customers and business partners. 1H17 volumes finished the year strongly and with significant new customer wins still to come on board, it is our expectation that current momentum will be continued, giving us confidence that 2H17 will deliver improved results over the prior year.



Craig Stobo, **Chairman**



Duncan Hawkesby, **Managing Director**

**FLIWAY GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Note	Unaudited		Audited
		Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
Revenue		43,221	43,822	82,644
Share of joint venture profit after tax	4	458	613	1,282
Disbursement costs		(12,069)	(11,652)	(21,543)
Freight costs		(2,426)	(1,829)	(3,502)
Rental and leasing charges		(4,135)	(3,622)	(7,259)
Personnel costs		(14,494)	(15,110)	(29,627)
Vehicle expenses		(2,955)	(3,024)	(5,679)
Other operating expenses		(3,324)	(3,066)	(6,128)
<b>EBITDA</b>		<b>4,276</b>	<b>6,132</b>	<b>10,188</b>
Depreciation and amortisation		(1,151)	(1,005)	(2,087)
<b>EBIT</b>		<b>3,125</b>	<b>5,127</b>	<b>8,101</b>
Net financing expenses		(242)	(382)	(801)
<b>Profit before income tax</b>		<b>2,883</b>	<b>4,745</b>	<b>7,300</b>
Income tax expense		(688)	(1,165)	(1,684)
<b>Profit and total comprehensive income for the year</b>		<b>2,195</b>	<b>3,580</b>	<b>5,616</b>
<b>Earnings per share</b>				
Basic and diluted earnings (in cents)	5	4.8	7.9	12.4

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

**FLIWAY GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
<u>Unaudited</u>				
Balance at 1 July 2016		8,769	24,007	32,776
Profit and total comprehensive income		-	2,195	2,195
Dividends paid	6	-	(2,431)	(2,431)
Balance at 31 December 2016		<u>8,769</u>	<u>23,771</u>	<u>32,540</u>
<u>Unaudited</u>				
Balance at 1 July 2015		8,769	20,981	29,750
Profit and total comprehensive income		-	3,580	3,580
Dividends paid	6	-	(1,091)	(1,091)
Balance at 31 December 2015		<u>8,769</u>	<u>23,470</u>	<u>32,239</u>
<u>Audited</u>				
Balance at 1 July 2015		8,769	20,981	29,750
Profit and total comprehensive income		-	5,616	5,616
Dividends paid	6	-	(2,590)	(2,590)
Balance at 30 June 2016		<u>8,769</u>	<u>24,007</u>	<u>32,776</u>

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

**FLIWAY GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	Unaudited		Audited
		31 Dec 2016 \$'000	31 Dec 2015 \$'000	30 June 2016 \$'000
<b>Current assets</b>				
Bank		1,028	3,438	4,009
Trade and other receivables		10,812	10,541	9,465
Prepayments		789	750	430
<b>Total current assets</b>		<b>12,629</b>	<b>14,729</b>	<b>13,904</b>
<b>Non-current assets</b>				
Deferred tax asset		405	583	524
Property, plant and equipment	7	10,766	10,370	10,205
Software	7	737	274	826
Investment in joint venture		2,647	2,270	2,190
Goodwill		23,046	23,046	23,046
<b>Total non-current assets</b>		<b>37,601</b>	<b>36,543</b>	<b>36,791</b>
<b>Total assets</b>		<b>50,230</b>	<b>51,272</b>	<b>50,695</b>
<b>Current liabilities</b>				
Trade and other payables		7,577	8,279	7,199
Current tax liability		29	663	534
Derivative financial instruments	8	192	105	133
<b>Total Current liabilities</b>		<b>7,798</b>	<b>9,047</b>	<b>7,866</b>
<b>Non-current liabilities</b>				
Bank term loan		9,800	9,800	9,800
Derivative financial instruments	8	93	186	253
<b>Total non-current liabilities</b>		<b>9,893</b>	<b>9,986</b>	<b>10,053</b>
<b>Total liabilities</b>		<b>17,691</b>	<b>19,033</b>	<b>17,919</b>
<b>Net assets</b>		<b>32,540</b>	<b>32,239</b>	<b>32,776</b>
<b>Equity</b>				
Issued capital		8,769	8,769	8,769
Retained earnings		23,771	23,470	24,007
<b>Total equity</b>		<b>32,540</b>	<b>32,239</b>	<b>32,776</b>

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 7 February 2017.



Alan Isaac, **Director**



Duncan Hawkesby, **Managing Director**

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

**FLIWAY GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Unaudited		Audited
	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers	41,118	43,929	82,369
Interest received	13	57	74
Receipts from joint venture	3,865	3,849	7,304
Payments to suppliers and employees	(42,697)	(42,767)	(81,018)
Interest paid	(157)	(308)	(485)
Income taxes paid	(1,074)	(975)	(1,556)
<b>Net cash generated by operating activities</b>	<b>1,068</b>	<b>3,785</b>	<b>6,688</b>
<b>Cash flows from investing activities</b>			
Dividend received from joint venture	-	-	750
Sale of property, plant and equipment and intangible assets	120	91	131
Payments for property, plant and equipment and intangible assets	(1,738)	(984)	(2,600)
<b>Net cash used in / provided by investing activities</b>	<b>(1,618)</b>	<b>(893)</b>	<b>(1,719)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(2,431)	(1,091)	(2,597)
Repayment of bank term loan	-	(5,200)	(5,200)
<b>Net cash used in financing activities</b>	<b>(2,431)</b>	<b>(6,291)</b>	<b>(7,797)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,981)</b>	<b>(3,399)</b>	<b>(2,828)</b>
Cash and cash equivalents at the beginning of the year	4,009	6,837	6,837
<b>Cash and cash equivalents at the end of the year</b>	<b>1,028</b>	<b>3,438</b>	<b>4,009</b>

	Unaudited		Audited
	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
<b>Reconciliation of profit after tax with net cash generated by operating activities</b>			
Profit after tax	2,195	3,580	5,616
<i>Non-cash items:</i>			
Depreciation and amortisation	1,151	1,005	2,087
Derivative financial instruments	(101)	21	118
Share of joint venture net profit	(458)	(613)	(1,282)
Deferred tax	119	(25)	33
<i>Items classified as investing and financing activities:</i>			
Loss on disposal of non current assets	(4)	18	122
<i>Changes in net assets and liabilities:</i>			
Trade and other receivables	(1,347)	(756)	320
Prepayments	(360)	(283)	38
Trade and other payables	378	623	(457)
Current tax	(505)	215	93
<b>Net cash generated by operating activities</b>	<b>1,068</b>	<b>3,785</b>	<b>6,688</b>

**FLIWAY GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

**1 GENERAL INFORMATION**

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

**2 FINANCIAL STATEMENTS**

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

The same accounting policies and estimates are applied in the interim financial statements as were applied in the financial statements for the year ended 30 June 2016. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 30 June 2016. The information is presented in thousands of New Zealand dollars unless otherwise stated.

**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.

	Domestic \$'000	International \$'000	Joint Venture \$'000	Head Office \$'000	Inter-Segment \$'000	Group \$'000
<b>Six months ended 31 December 2016</b>						
Sales to customers outside the Group	28,981	14,240	-	-	-	43,221
Inter-segment sales	75	16	-	-	(91)	-
<b>Total revenue</b>	<b>29,056</b>	<b>14,256</b>	<b>-</b>	<b>-</b>	<b>(91)</b>	<b>43,221</b>
<b>Segment profit (loss) before income tax</b>	<b>4,271</b>	<b>1,952</b>	<b>638</b>	<b>(2,409)</b>	<b>-</b>	<b>4,452</b>
Share of joint venture interest, depreciation, tax	-	-	(180)	-	-	(180)
Gain (loss) on sale of assets	5	(1)	-	-	-	4
<b>EBITDA</b>	<b>4,276</b>	<b>1,951</b>	<b>458</b>	<b>(2,409)</b>	<b>-</b>	<b>4,276</b>
Segment Assets	37,405	8,058	2,844	1,923	-	50,230
Segment Liabilities	5,060	2,571	6	10,054	-	17,691
<b>Six months ended 31 December 2015</b>						
Sales to customers outside the Group	29,217	14,605	-	-	-	43,822
Inter-segment sales	103	15	-	-	(118)	-
<b>Total revenue</b>	<b>29,320</b>	<b>14,620</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>43,822</b>
<b>Segment profit (loss) before income tax</b>	<b>5,894</b>	<b>1,962</b>	<b>852</b>	<b>(2,319)</b>	<b>-</b>	<b>6,389</b>
Share of joint venture interest, depreciation, tax	-	-	(239)	-	-	(239)
Gain (loss) on sale of assets	(23)	5	-	-	-	(18)
<b>EBITDA</b>	<b>5,871</b>	<b>1,967</b>	<b>613</b>	<b>(2,319)</b>	<b>-</b>	<b>6,132</b>
Segment Assets	36,001	7,800	2,873	4,598	-	51,272
Segment Liabilities	4,909	3,616	8	10,500	-	19,033
<b>Year ended 30 June 2016</b>						
Sales to customers outside the Group	55,682	26,962	-	-	-	82,644
Inter-segment sales	172	24	-	-	(196)	-
<b>Total revenue</b>	<b>55,854</b>	<b>26,986</b>	<b>-</b>	<b>-</b>	<b>(196)</b>	<b>82,644</b>
<b>Segment profit (loss) before income tax</b>	<b>10,170</b>	<b>3,575</b>	<b>1,788</b>	<b>(4,716)</b>	<b>-</b>	<b>10,817</b>
Share of joint venture interest, depreciation, tax	-	-	(507)	-	-	(507)
Gain (loss) on sale of assets	(110)	(11)	-	(1)	-	(122)
<b>EBITDA</b>	<b>10,060</b>	<b>3,564</b>	<b>1,281</b>	<b>(4,717)</b>	<b>-</b>	<b>10,188</b>
Segment Assets	35,772	7,525	2,865	4,533	-	50,695
Segment Liabilities	3,727	4,566	19	9,607	-	17,919

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

	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
<i>Adjustment 50% share of joint venture interest, tax, depreciation derived as follows:</i>			
Interest income	(1)	(3)	(5)
Depreciation and amortisation	2	4	6
Tax expense	179	238	506
Adjustment to joint venture profit 50% Group share	180	239	507

**FLIWAY GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

**4 INVESTMENT IN JOINT VENTURE**

Contribution to net profit.

Name	Principal Activities	Country of Incorporation	Holding	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
United Parcel Service - Fliway (NZ) Limited	International Parcel Service	New Zealand	50%	458	613	1,282

**5 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.

	Six months ended 31 Dec 2016	Six months ended 31 Dec 2015	Year ended 30 June 2016
Profit after tax \$'000	2,195	3,580	5,616
Weighted average number of ordinary shares	45,437,910	45,437,910	45,437,910
Basic and diluted earnings per share (in cents)	4.8	7.9	12.4

**6 DIVIDENDS**

	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
<b>Recognised Amounts</b>			
2015 final and special dividend 2.40 cents per share (2014: nil)	-	1,091	1,091
2016 interim dividend 3.30 cents per share (2015: nil)	-	-	1,499
2016 final dividend 5.35 cents per share (2015: 2.40 cents)	2,431	-	-
	<u>2,431</u>	<u>1,091</u>	<u>2,590</u>
<b>Unrecognised Amounts</b>			
2017 interim dividend 2.00 cents per share (2016: 3.30 cents)	909	1,499	-
2016 final dividend 5.35 cents per share (2015: 2.40 cents)	-	-	2,431

After balance date the above unrecognised interim dividend was approved by directors' resolution dated 7 February 2017. These amounts have not been recognised as a liability as at 31 December 2016, but will be brought to account in the full year to 30 June 2017. All dividends are fully imputed.

**7 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES**

	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
Opening net book value	11,031	10,772	10,772
Additions	1,752	1,007	2,605
Disposals	(129)	(130)	(259)
Depreciation / Amortisation	(1,151)	(1,005)	(2,087)
Closing net book value	<u>11,503</u>	<u>10,644</u>	<u>11,031</u>

**8 FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES**

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

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

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

The Group has categorised these derivatives as level 2 financial instruments under the fair value hierarchy contained in NZ IFRS 13. There were no transfers between fair value hierarchy levels during either the current or prior periods.

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

	Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
Interest rate swaps	(171)	(184)	(229)
Interest rate options	(114)	(107)	(157)
	<u>(285)</u>	<u>(291)</u>	<u>(386)</u>

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

**FLIWAY GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

**9 RELATED PARTIES**

Related parties include subsidiaries in the Group, the joint venture entity and the directors. Certain Fliway directors are non-executive directors of other companies. Any transactions undertaken with the joint venture are on a fully commercial basis entered into in the ordinary course of business. There is no interest charged on any outstanding balances between the joint venture and Fliway Group Limited.

		Six months ended 31 Dec 2016 \$'000	Six months ended 31 Dec 2015 \$'000	Year ended 30 June 2016 \$'000
<i>Transactions and outstanding balances between the Group and related parties:</i>				
<b>Transactions</b>				
Joint Venture	Revenue from services provided	2,073	2,118	4,288
Joint Venture	Services received	(61)	(61)	(121)
Joint Venture	Recharged expenses	1,685	1,702	3,231
Joint Venture	Dividends received	-	-	750
<b>Outstanding balances</b>				
Joint Venture	Trade receivables at balance date	622	603	676
Joint Venture	Trade payables at balance date	(11)	(8)	(19)
<b>Key Management Personnel</b>				
The compensation of directors and executives, being the key management personnel of the Group is as follows:				
	Short-term benefits	908	1,096	2,213
	Termination Benefits	-	-	55
		<b>908</b>	<b>1,096</b>	<b>2,268</b>

**10 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.

**11 SUBSEQUENT EVENTS**

An interim dividend of 2.00 cents per share was declared on 7 February 2017, totalling \$0.909 million.

**FLIWAY GROUP LIMITED  
DIRECTORY**

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