FLIWAY GROUP LIMITED
ANNUAL REPORT 2017

FOR THE YEAR ENDED
30 JUNE 2017

DELIVERING TRANSPORT SOLUTIONS

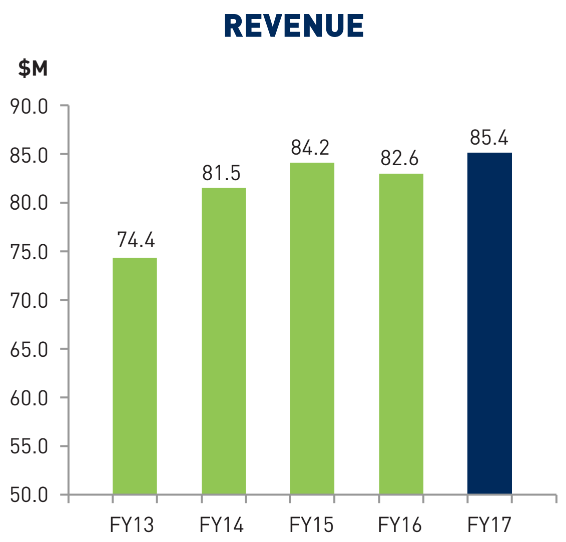

CROWN
CG18S
CROWN

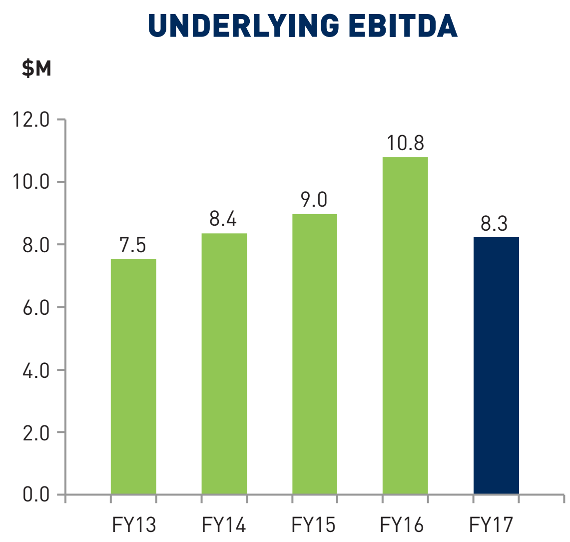
CONTENTS

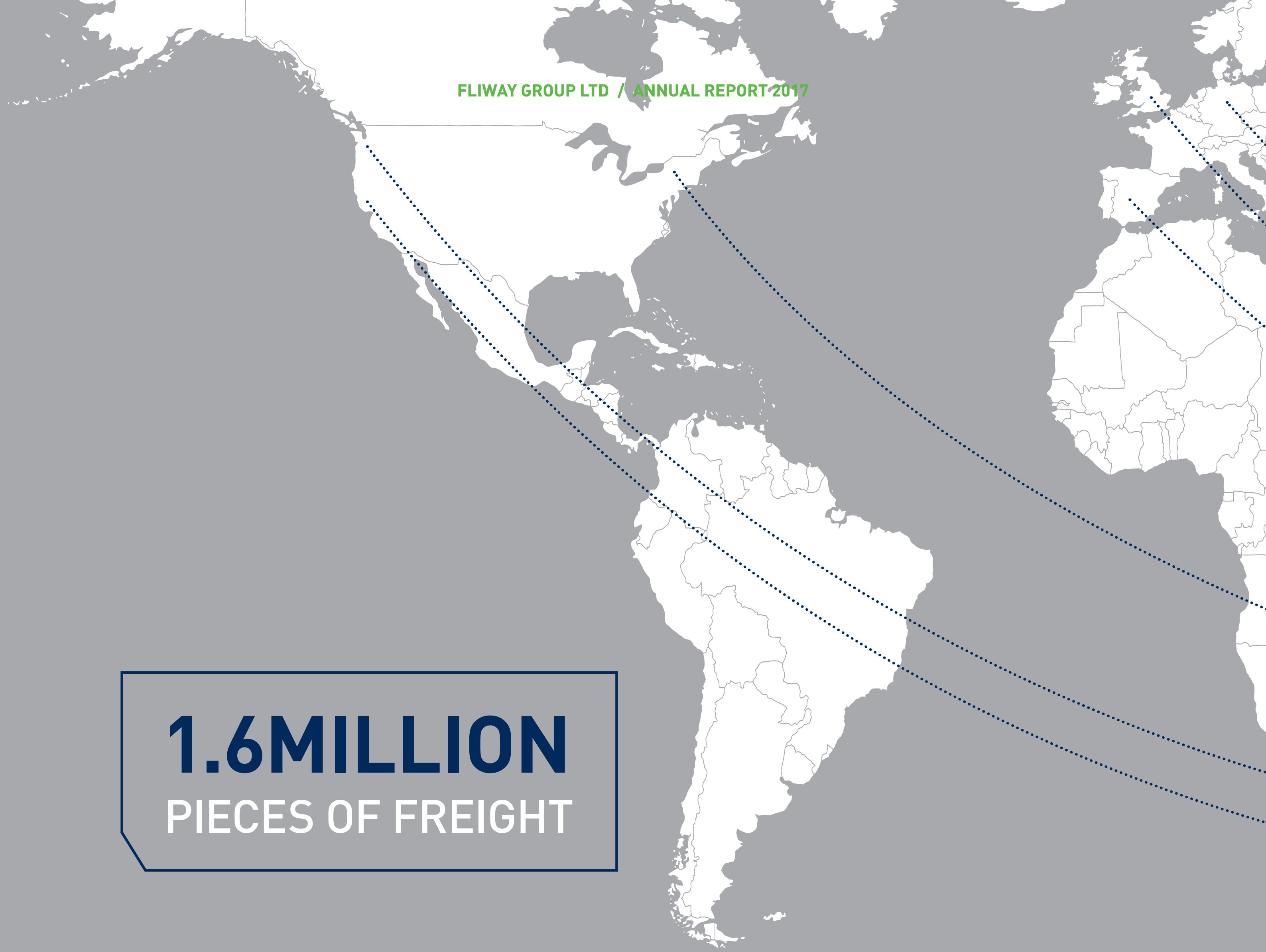
ONE / OVERVIEW

OVERVIEW

- Highest level of new customers and revenue brought on in last 5 years
- Another year of outstanding performance from the warehousing business, with capacity management further improved
- Working capital and capex both pushed hard as a result of strong revenues
- Tough year in the Transport division with disruption impacting performance
- Two restructures completed, one as a result of a lost customer, the other a reset of the cost base in the joint venture
- The Kaikoura earthquake transferred a significant freight task from rail to road, consuming a large amount of capacity that Fliway traditionally relies on at peak times
- Too many linehaul accidents with a higher level of redundancy required in the network
- Auckland warehouse site extension completed. New customer on board, delivering additional capacity and operational benefits
- Ordinary final dividend of 4.0 cents per share. Full year total dividend of 6.0 cents per share fully imputed







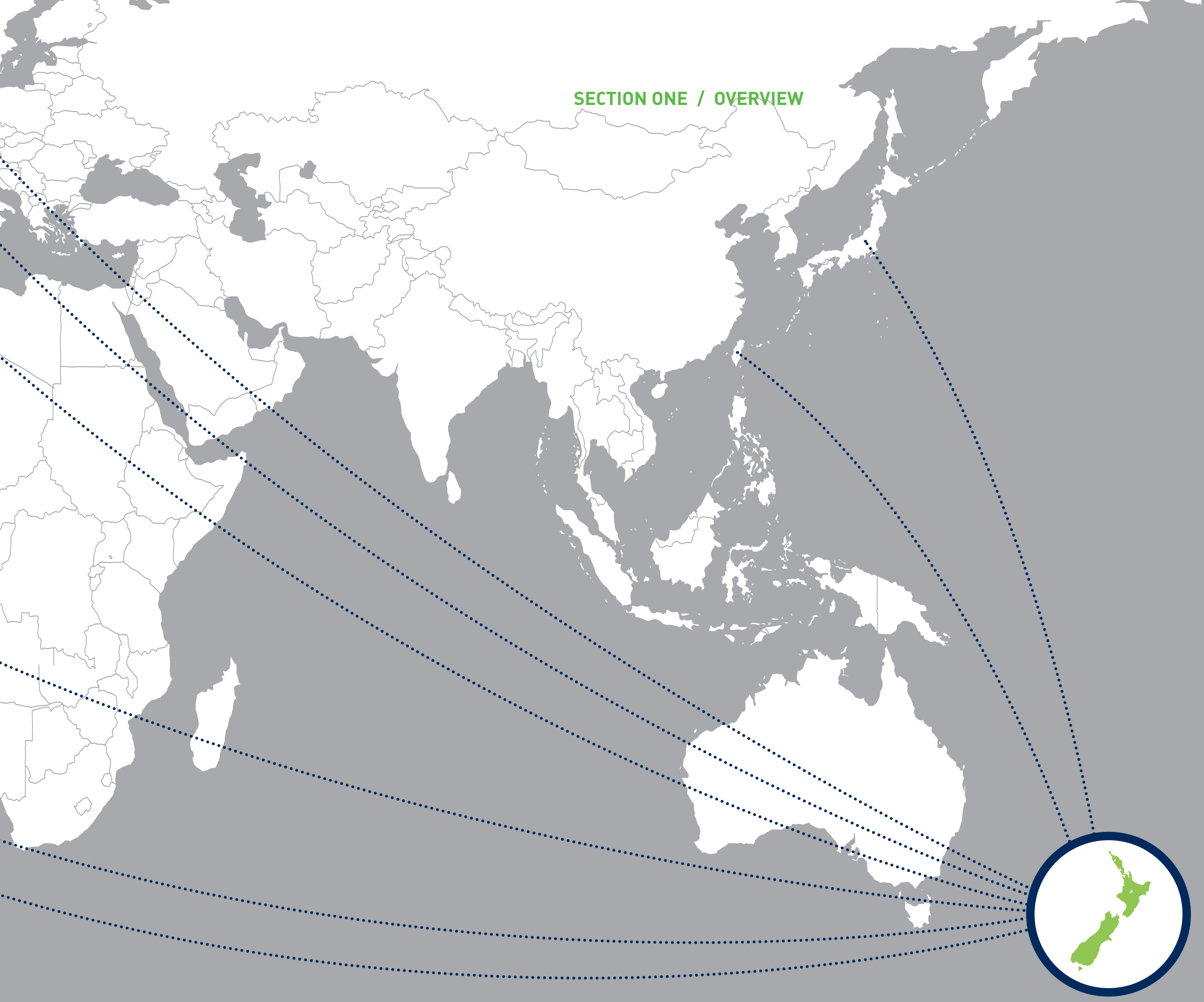
1.6MILLION
PIECES OF FREIGHT

WAREHOUSING FOOTPRINT
UP20%
TO 36,000 SQM

FULL YEAR DIVIDEND
6.0
CENTS PER SHARE

CUBIC METRES OF FREIGHT HANDLED
420,000+
UP4.3% YR ON YR

RETURN ON CAPITAL EMPLOYED
14.5%



CONSIGNMENTS DELIVERED

UP 2.4%

KEY NUMBERS $000's	FY17	FY16	VAR
Revenue	85,421	82,644	3.4% ▲
EBITDA[1]	8,070	10,188	-20.8% ▼
EBIT[2]	5,656	8,101	-30.2% ▼
NPAT	3,887	5,616	-30.8% ▼
Underlying EBITDA[1]	8,304	10,817	-23.2% ▼
Underlying EBIT[2]	5,949	8,602	-30.8% ▼
Earnings per Share (in cents)	8.60	12.40	-30.6% ▼
Dividend per Share (in cents)[4]	6.00	8.65	

[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

EARNINGS PER SHARE

8.6 CENTS

TWO / GROUP PROFILE

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 approx. 1.6 million pieces of freight per annum and processes, on average, 49,000 units of freight per day across 36,000 metres of warehousing facilities. Fliway also handles approximately 8,800 international shipments and 108,000 customs clearance per annum. From these services, Fliway generated revenue and Underlying EBITDA of $85.4 million and $8.3 million respectively.

Fliway services over 1,000 customers across specialised domestic transport, warehousing and international freight forwarding. These services are provided by approximately 400 team members, a fleet of over 150 vehicles and a footprint of 12 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 the 50% share in UPS-Fliway. UPS-Fliway delivers, or arranges the delivery of, express packages internationally.

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 also provides warehousing and distribution services, including:

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

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

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

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 approximately 108,000 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 4.9 billion packages and documents in 2016. UPS provides services to 9.4 million customers a day across more than 220 countries and territories. UPS-Fliway is a separate entity owned 50/50 by Fliway and UPS. UPS-Fliway employs approximately 30 staff. Fliway and UPS have equal board representation for UPS-Fliway and day-to-day operations are overseen by UPS management. Fliway Transport arranges domestic deliveries and pickups for UPS-Fliway, and Fliway International provides customs brokerage services.

INFORMATION TECHNOLOGY

Fliway operates a range of best of breed applications to service the diverse and complex nature of the respective business units. Across the Group, these systems have been integrated using a New Zealand developed middleware platform. This same middleware is used to provide integration with both customers and suppliers. Extensive in-house competency has been developed to deliver this point of difference, enabling integration to a wide range of different applications. Support services have been built around this capability to monitor them, with additional support provided by external partners.

Over the past 12 months, there have been a number of improvements and deliverables achieved, including:

- Continued the roll out of a new warehouse management system
- Initiated and resourced a project to provide driving staff with new technology
- Distributed new hand-held technology through the Logistics business unit
- Implemented resource management planning tools to manage IT activities
- Replaced wifi networks in three warehouses
- Deployed new dashboards for Transport and Logistics to provide better visibility of operations
- Completed the transition of our International business unit from a legacy application
- Provide greater capacity in our computing resources

These improvements have led – and will lead further to - better efficiency and less downtime in our operations and allow growth to be more scalable from a technology perspective.

[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.

GROWTH AND STRATEGY

Fliway is focused on creating shareholder value through sustainable profit growth. To achieve that, our 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.

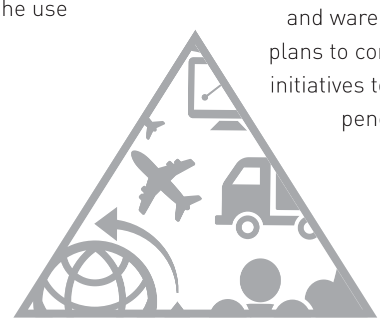
Fliway focuses on three specific avenues of growth:

OPTIMISING CAPACITY

Continuing to maximise operating leverage, including 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.

THREE / GROUP FINANCIALS

GROUP FINANCIALS

INCOME STATEMENT $000'S	FY17	FY16	VAR
Revenue	85,421	82,644	3.4% ▲
Share of joint venture profit	760	1,282	-40.7% ▼
Disbursement costs	(23,836)	(21,543)	-10.6%
Depreciation	(2,414)	(2,087)	-15.7%
Freight costs	(5,278)	(3,502)	-50.7%
Rental and leasing charges	(7,909)	(7,259)	-9.0%
Personnel costs	(28,870)	(29,627)	2.6%
Vehicle expenses	(6,000)	(5,679)	-5.7%
Other operating expenses	(6,218)	(6,128)	-1.5%
Reported EBIT	**5,656**	**8,101**	**-30.2%** ▼
UPS-Fliway NPAT to EBIT gross up	293	501	-41.5%
Underlying EBIT	**5,949**	**8,602**	**-30.8%** ▼
Depreciation (incl (gain)/loss on sale and JV depn)	2,355	2,215	
Underlying EBITDA	**8,304**	**10,817**	**-23.2%** ▼
Reported NPAT	**3,887**	**5,616**	**-30.8%** ▼
Earnings per Share	8.6	12.4	
Capital Employed	41,164	38,560	
Return on Capital Employed	**14.5%**	**22.3%**	▼

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

A reconciliation between Underlying EBIT, Underlying EBITDA and NPAT is presented below. 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 business units and presents it to the chief decision maker in a consistent format with the other business units.

Underlying EBITDA and Underlying EBIT are non-GAAP profit measures which reflect the adjustment of the UPS-Fliway joint venture earnings as described above.

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 and Non-Current Liabilities (excluding any Debt balances).

The following table shows how Underlying EBITDA and Underlying EBIT 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 OF NPAT TO UNDERLYING EBIT & EBITDA $000'S	FY17	FY16	VAR
NPAT per Financial Statements	**3,887**	**5,616**	**-30.8%** ▼
Reconciling items:			
UPS-Fliway NPAT to EBIT gross up	293	501	
Tax	1,229	1,684	
Financing	540	801	
Underlying EBIT	**5,949**	**8,602**	**-30.8%** ▼
Depreciation (incl (gain)/loss on sale and JV depn)	2,355	2,215	
Underlying EBITDA	**8,304**	**10,817**	**-23.2%** ▼


FOR

FOUR / REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present Fliways' third 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 2017.

OPERATING PERFORMANCE

Strong performance from the business development teams in both the Domestic and International divisions meant revenue for FY17 finished the year ahead of last year by 3.4% despite the customer loss announced in June 2016. Although revenue was below last year at the end of the first half of FY17, a number of new customer wins during that first period, in addition to existing customer uptrades, helped deliver 2H17 revenues ahead of last year by 8.7%. Further customer contract wins with commencement dates in 2H17, have seen us secure additional capacity in both Transport and Logistics and set the business up for a strong FY18 revenue position.

Fliway Group performance was impacted by the customer loss announced in June 2016. 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 results. Issues additionally impacting the business centred around one-off events and capacity constraints in the Transport business unit. A number of incidents reduced linehaul equipment availability in addition to the Kaikoura earthquake in November 2016. The earthquake disabled the rail network transferring a significant amount of freight onto road transport, thereby consuming capacity that Fliway would normally rely on for overflow options over peak trading periods when freight volumes exceed Fliways internal network capacity. As a result, expensive and at times inefficient alternative measures were required to get freight delivered. Fliway does impose a Natural Disaster Surcharge (NDS) on its customers, but would be a better business without the disruption currently being experienced in the South Island.

United Parcel Service - Fliway (NZ) Limited, the joint venture international express small package business 50% owned with UPS (the **Joint Venture**), underwent significant change in the year. In line with the strategy to grow the inbound package volumes in that business, the revenue (or compensation the Joint Venture receives from UPS) the Joint Venture receives for an import package was reduced to ensure inbound pricing for this service was market competitive. Cost initiatives were undertaken within the Joint Venture to balance returns and the expectation is that import volumes will grow further in future to deliver improved financial returns. Fliway gained additional logistics and international forwarding work from the wider UPS relationship as part of the changes.

In last year's report, shareholders were informed that delivering the revenue line of the business to expectations was proving difficult, so to finish the year with such a strong revenue outcome and with such a strong run rate heading into FY18, demonstrate the good business development work achieved. FY17 was a year of significant changes and challenges as Fliway restructured based on the customer loss, exited it's sub-scale courier operation, changed management in the International division and got on with building the revenue line. The metrics and position of the business has altered over the past 12 months to make Fliway more robust and a stronger platform from which to build a larger business. The FY17 period has incurred the cost of that transformation, however the opportunity remains to convert the revenue position to higher profit levels.

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 2.0 cents per share (a gross amount of 2.8 cents per share) was declared in February 2017 and paid on 20 April 2017. In line with the Fliway dividend policy, Directors have declared a fully imputed final dividend of 4.0 cents per share (a gross amount of 5.6 cents per share). For the full financial year, this represents a fully imputed annual dividend of 6.0 cents per share (a gross amount of 8.3 cents per share). The final dividend will be paid on 15th September 2017 to shareholders recorded on the share register as at 5pm (New Zealand time) on 8th September 2017.

REVIEW OF OPERATIONS

HEALTH AND SAFETY

Our Vision for Health & Safety is "100% Home Safely". In FY17, we made a strong impact in regards to our daily focus on safety in our workplace and ensuring strong H&S systems support our people, our managers and all our stakeholders. However, like many NZ workplaces, continuous improvement and higher participation from our people is needed to achieve our vision.

The H&S Roadmap for FY17 focused on 5 key pillars:

- Increased Awareness & Engagement
- Visitor & Contractor Management
- Reporting & Reduction of Lost Time Injuries (LTIs)
- Injury prevention focus: Manual handling, Tailgate & Forklift Incidents
- Effectiveness of Sharing Information

In FY17, there was a 47% reduction in the LTIFR (Lost Time Injury Frequency Rate) year on year. The measure calculates any time off (1 day +) for our people having been hurt in the workplace, which is a positive result meaning that fewer people were injured in our workplace during the year. There were no fatalities. Within Fliway Group, the focus continues to be on further reducing both the frequency and severity of any injuries.

To support this initiative, we built on the prior year's 'back to basics' campaign, with a strong focus on the fundamentals and ensuring that the H&S system and requirements were understood and followed. Our National Health & Safety Manager implemented a significantly larger and more robust internal 5 Star Site Safety Audit Scheme during the 12-month period across all areas of the business nationally.

As part of the H&S Roadmap, we had set an '18 month ambition' to have all our sites at a 5 Star level by May 2018. We completed FY17 with pleasing results overall with 14 of the operational areas audited achieving 5 Stars ahead of schedule. The New Plymouth Transport depot was awarded the Top site, and the Blenheim Transport Branch was awarded the Most Improved site. The 5 Star Site Safety Audit has been a key driver around managers' ownership and understanding of the H&S systems, and what good Health & Safety looks like day to day in their areas.

At the start of 2017, we completed our first 'Safety Culture Survey' nationally with a 60% response rate. This survey was to establish a benchmark level, and encourage an increased awareness and engagement from our people in regards Health & Safety, and ensuring all our people had the ability to have their say. The results were shared with our people for the Group, each division, and then at a site / operational level. The survey focused on 6 elements: Communicating Safety; Leading Safety; Knowing Safety; Resourcing Safety; Reporting & Learning for Safety, and Involving for Safety. Safety Action Plans were established to address key elements from the Safety Culture Survey led by the National Operations Managers in the Domestic division and the National Health & Safety Manager, these actions are ongoing.

We invested in training for managers and teamleaders with the following modules during the year: H&S for Managers module; Risk of Drugs & Alcohol in the Workplace module; and Harassment & Bullying Awareness training. We achieved 95% completion of the biennial H&S re-induction, with the last people due to complete this module in August 2017.

As part of the Injury prevention focus within the H&S Roadmap, we invested in an online training module around pre-emptive awareness and rehabilitation exercises for any manual handling injuries that occurred as well as additional new equipment, as this is most significant cause of injuries within the business. However, to date we have had poor adoption of this training mechanism for manual handling techniques. Training, resources and initiatives in this area continue to be a focus for reducing injuries in the workplace, specifically shoulder/arm and back injuries.

Our Employee Assistance Programme (EAP) is now into its second year as a benefit offered to our people, and we are beginning to see a greater up take on the use of this resource that provides support to our team, and their families around a range of areas. As FY17, was a year of change within Fliway, with the natural disasters at play nationally, and teamed with our people's busy day to day lives – it was positive to see the increased use of this EAP resource to assist our people.

Finally, we have continued our efforts around participation and wellbeing, running another Summer Super Slimmer Competition and Kids' H&S Colouring Contest. Both initiatives had great results and happy winners! We have new engagement and wellbeing initiatives planned for FY18, which also include an element of team fundraising for charity.

PEOPLE

Within FY17, we continued working with our people and supporting activities and initiatives in line with our People roadmap and strategic priorities. These core focus areas are:

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

For our teams, it was a year of change. The changes resulted from the customer loss within the Transport business unit, along with the decision to move out of the courier van delivery sector and quickly followed by the Kaikoura earthquake. Within the Logistics business, these changes and new ways of working came from the upgraded Warehouse Management System. Within International, the changes were focused around the new Leadership structure and ways of working across the business unit.

In all these different change scenarios, our teams pulled together to focus on delivering quality work and providing service to our customers. At times, the change was challenging or uncomfortable, but being ***flexible*** and having ***ownership*** are two of our company values ('how we like to work') and these were positively demonstrated by our people nationally.

Within the core focus areas of 'Leadership impact' and 'Developing talent', we facilitated an Emerging Leaders training programme across the 3 business units, and also facilitated the Leadership workshops for the International and Logistics management teams. These programmes were positively received by those attending. They supported managers and the growth of a leadership mindset within the business, along with developing, those team members promoted into new management positions or identified as talent and having the potential to progress.

In May, for the first time, we completed the process to become an Accredited Employer through Immigration New Zealand to assist in our recruitment and selection strategy. We have already found that having this Accredited Employer status has benefitted our employment brand in attracting some great new talent to Fliway Group.

Further to our recruitment and employment branding initiatives, over the last year we have increased our use of targeted Facebook advertising. This has also positively increased the number of candidates applying to work at Fliway directly through our careers website. We do note that the recruitment space is rapidly changing with new job boards, and the use of social media within recruitment, and we are increasing our use of these platforms.

The people roadmap for FY18 will continue with our core focus areas around developing, engaging and supporting our people who will in turn deliver on our strategic priorities of:

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

FLIWAY DOMESTIC

FINANCIAL PERFORMANCE ($'000)	FY17	FY16	VAR	
Operating Revenue	57,699	55,682	+3.6%	▲
Underlying EBITDA	8,448	10,170	-16.9%	▼
EBITDA %	14.6%	18.3%		▼
Underlying EBIT	**6,349**	**8,170**	**-22.3%**	▼

Operating revenue of $57.7 million for the year was 3.6% higher than FY16 despite the loss of a significant customer of Fliway Domestic, and the reduction in courier revenue from the changes made with the UPS Joint Venture. The underlying EBITDA was $8.4 million for the year, 16.9% behind the prior comparable period.

Within the Domestic division, the Transport business unit was behind the reduction in Underlying EBITDA on the prior period. It was a year of change for the Transport business unit with the customer loss, and the decision to move out of small package delivery both occurring in quarter one, followed by the Kaikoura earthquake. This was combined with unprecedented success from the new business development team. The new customer wins in 1H17 occurred at a time when the available capacity in the transport industry was constrained as a result of the Kaikoura earthquake. The strong revenue growth occurring at the same time as capacity reductions, meant a higher cost to serve across the transport network, ultimately resulting in the reduced earnings. Investment in new, and larger depots, along with the arrival of additional rolling stock early in FY18 should result in a return to traditional cost structures, albeit at higher volume levels than previously.

The Logistics business unit bounced back from the customer loss in quarter one and ended the year with improved revenue and a record EBITDA. The strong cost control through a significant year of growth was notable and validated the investment in the management structure within this business unit. The upgrade of the Warehouse Management System (WMS) progressed well throughout the year, with our Wellington site complete, our largest customer migrated, and all new customers on boarded directly to the new system. The new WMS roll out project is expected to finish in FY18 and will deliver improved customer visibility and operational efficiencies. The Logistics footprint grew with the extension of our Wiri facility by over 100% to accommodate organic growth and new business, taking the nationwide warehousing footprint to 36,000 sqm.

Demand for Fliway services was strong throughout the year with the business development team converting opportunities at an excellent rate, resulting in a record being set for new business gained. Fliway increased penetration into existing sectors, as well as opening up new ones. Growth remains a focus, in particular targeting high value commodities.

Fliway Domestic's key objectives for FY18 are reduction in network costs, implementation of smart technologies, and continued growth of our customer base.

FLIWAY INTERNATIONAL

FINANCIAL PERFORMANCE ($'000)	FY17	FY16	VAR	
Sales Revenue	27,722	26,962	+2.8%	▲
Underlying EBITDA	3,462	3,575	-3.2%	▼
EBITDA %	12.5%	13.3%		▼
Underlying EBIT	**3,330**	**3,484**	**-4.4%**	▼

Operating revenue was marginally up by 2.8% to $27.7 million compared to prior year. This was supported by volume growth in shipments and brokerage clearances. We experienced some customer churn in our top 10 customers, offset by a strong business development performance. Our expectation is for stronger revenue growth in 2018.

EBITDA was $3.462 million for the year and 3.2% less than the previous year due to a reduction in margin with our strong sales gains reflective of a competitive market.

We continue to invest in our team as we build a leadership structure to scale up the International business in 2018 and beyond. This leadership team focus is on the delivery of exceptional service, improved productivity and delivering value to our customers.

Our opportunities for growth are strong. We will look to leverage our competitive advantage and capabilities in air freight, and our competencies in sea freight – across both export and import services with all of New Zealand's major trading partners. We will also look to expand our network of Fliway International branches to support our customers and our own growth aspirations.

The International market growth will present opportunities in our largest trading markets of Australia and Asia. These are markets on which Fliway is focussed and well positioned to develop further.

Fliway International objectives for FY18 continue to be focussed on retention and growth of customers, in addition to improving our productivity/costs. We see ongoing gains from the alignment of Fliway International with Fliway Domestic to offer strong supply chain solutions to the market.

FLIWAY INTERNATIONAL OPERATING METRICS	FY17	FY16*	VAR
Total Number of Shipments via SEA	3,778	4,199	
Total Number of Shipments via AIR	5,052	4,559	
Total Number of Shipments	**8,830**	**8,758**	▲
Brokerage			
Total number of clearances	**107,811**	**104,182**	▲

*Note some FY16 metrics re-stated to ensure comparability with the FY17 numbers.

UPS-FLIWAY (THE JOINT VENTURE - 50% ONLY)

FINANCIAL PERFORMANCE ($'000)	FY17	FY16	VAR	
Segment Profit (50%)	1,058	1,789	-40.8%	▼
NPAT (50%)	**760**	**1,282**	**-40.7%**	▼
Dividend Received	**500**	**750**		▼

The strategy of repricing inbound express package freight caused a reduction in profitability in FY17 as the joint venture works to build the volume to a position that restores historical levels of profitability. Overall import package volumes grew by 11.4% over the prior year and cost saving initiatives were undertaken in the area of pick up and delivery services, brokerage services and in-country operations and non-operations costs.

HEAD OFFICE

FINANCIAL PERFORMANCE ($'000)	FY17	FY16	VAR	
Underlying EBITDA	(4,664)	(4,717)	-1.1%	
Dispute de minimis	-	(249)		
Like for like Cost Base	**(4,664)**	**(4,966)**	**-6.1%**	▼

A provision was reversed in last year's Head Office accounts, having the effect of under-stating the underlying costs by $0.249 million. Adjusting for this provision reversal shows Head Office costs were favourable year on year by 6.1%, largely the result of good cost control and no management incentive payments based on the financial outcome of the Group in FY17.

CAPITAL EXPENDITURE

($'000)	FY17	FY16	VAR
Trucks and vans	1,280	1,150	
Truck and trailer	1,422	395	
IT	754	744	
Other	327	316	
Disposals	(246)	(131)	
Net Capital Expenditure	**3,523**	**2,474**	▲

Capital Expenditure for FY17 was $3.523 million, reflecting a significant increase in the amount of investment in vehicles as a response to the capacity challenges facing the business in the Transport business unit. The upgrade of the Logistics operational IT system, to SCE10.3, dominated the IT spend again for FY17 and was delayed due to new customers coming on board and needing to be implemented onto the new system.

The other spend was principally costs associated with the extension of the Wiri, Auckland facility, the result being a lift in total warehouse capacity to 36,000 square metres, some 20% up.

Whilst the total figure exceeded the depreciation and amortisation charge in FY17 of $2.414 million, there is growth capital in both the additional fleet and the larger Auckland facility.

NET DEBT

($'000)	FY17	FY16	VAR	
Cash on hand	1,959	4,009		
Interest bearing debt	(9,800)	(9,800)		
Total net debt	**(7,841)**	**(5,791)**	**-35.4%**	▲
Gearing Ratio (x)	**0.94**	**0.57**		

Net Debt was $7.841 million, 35.41% higher than the previous year, but still well within the bank facility, banking covenants and below listed peer group levels. In addition to paying last year's final dividend, the reason for the debt level increase is due to higher revenues pushing working capital levels and increased capital expenditure as a result of a need to invest in more capacity to accommodate the growth.

CONCLUSION

Fliway experienced a tough year and delivered a weaker result in FY17. There was a lot of disruption in the year with new customers coming on, some customer churn, restructures to streamline cost bases, and a drive to put the business on a stronger foundation to deliver on future growth. The Joint Venture is restructured and more competitive, the Transport business unit is larger and investing to get the volume growth inside its own network, the Logistics business unit is at record levels of size and profitability and the International division is growth focused and responding well under new management. There are areas of the business where we can do better, with volatile revenue meaning we need to remain vigilant around levels of cost, particularly when volumes exceed internal capacity. Management is focused on continuing to build the business, delivering on revenue improvements and building profitability.

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

Fliway will continue to invest in people, facilities, and technology to meet the changing needs of our customers, and grow the business. We will continue to seek to increase our penetration with existing customers as well as 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

24th August 2017

FIVE / LEADERSHIP

FLIWAY BOARD OF DIRECTORS
From left to right: Alan Isaac (Independent Non-executive Director), Duncan Hawkesby (Managing Director), Craig Stobo (Chairman and Independent Director)


FLIWAY
FLIWAY

FLIWAY SENIOR MANAGEMENT TEAM

From left to right: Kate Bacchus (General Manager People), Jim Sybertsma (Chief Financial Officer), Jon Gundy (General Manager International), Colin Burrow (Chief Information Officer), Duncan Hawkesby (Managing Director), and Cameron McKeown (General Manager Domestic).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SIX / FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2017

TO THE SHAREHOLDERS OF FLIWAY GROUP LIMITED

Opinion

We have audited the consolidated financial statements of Fliway Group Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 31 to 55, present fairly, in all material respects, the financial position of the Group as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRSs') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of taxation advice. These services have not impaired our independence as auditor of the Company and Group. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determine the materiality for our audit of the Group finanical statements as a whole to be $289,000.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER AND RESULTS
Goodwill impairment assessment As disclosed in note 10 of the consolidated financial statements the Group has goodwill of $23 million (2016: $23 million) which is allocated across the domestic ($19.4 million) and international ($3.6 million) cash generating units (CGU). The assessment of the Group's goodwill for impairment is considered a key audit matter due to the significance of the goodwill to the Group's consolidated financial statements and the significant judgements and estimates involved to determine the value in use of each CGU. The key judgements and estimates include the budget forecast, the terminal growth rate used, and the discount rate.	We have evaluated the appropriateness of the carrying value of the goodwill by reviewing the value in use calculations prepared by Fliway Group Limited for each CGU. We performed a number of procedures including: • Comparing the forecast revenue and costs to the board approved budget and to historical performance for each CGU; • Assessing the accuracy of Fliway Group Limited's previous budget forecasts relative to actual performance; • Involving our valuation specialists to assess the reasonableness of the discount rate relative to comparable entities and market data; • Comparing the terminal growth rate in the value in use model to market indices; • Testing the mechanical accuracy of the value in use model; • Performing sensitivity analyses on the discount rate and growth rate to assess the impact of a change in these inputs on the amount of headroom in the value in use model; and • Assessing the appropriateness of the disclosures made in note 10 relating to the Group's impairment test and sensitivity analyses.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Restriction on use

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.

Deloitte Limited

Peter Gulliver, Partner
On behalf of Deloitte Limited
Auckland, New Zealand
24 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Revenue		85,421	82,644
Share of joint venture profit after tax	*12*	760	1,282
Disbursement costs		(23,836)	(21,543)
Freight costs		(5,278)	(3,502)
Rental and leasing charges		(7,909)	(7,259)
Personnel costs	*4*	(28,870)	(29,627)
Vehicle expenses		(6,000)	(5,679)
Other operating expenses	*5*	(6,218)	(6,128)
EBITDA		**8,070**	**10,188**
Depreciation and amortisation	*8,9*	(2,414)	(2,087)
EBIT		**5,656**	**8,101**
Net financing expenses	*6*	(540)	(801)
Profit before income tax		**5,116**	**7,300**
Income tax expense	*7*	(1,229)	(1,684)
Profit and total comprehensive income for the year		**3,887**	**5,616**
Earnings per share			
Basic and diluted earnings (in cents)	*14*	8.6	12.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Issued Capital $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015		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 2016		**8,769**	**24,000**	**32,769**
Profit and total comprehensive income		-	3,887	3,887
Dividends paid	*15*	-	(3,333)	(3,333)
Balance at 30 June 2017		**8,769**	**24,554**	**33,323**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Current assets			
Bank		1,959	4,009
Trade and other receivables	*16*	11,109	9,465
Prepayments		530	430
Total current assets		**13,598**	**13,904**
Non-current assets			
Deferred tax asset	*7*	432	524
Property, plant and equipment	*8*	11,088	10,205
Software	*9*	1,103	826
Investment in joint venture	*12*	2,450	2,190
Goodwill	*10*	23,046	23,046
Total non-current assets		**38,119**	**36,791**
Total assets		**51,717**	**50,695**
Current liabilities			
Trade and other payables	*17*	8,097	7,199
Current tax liability		264	541
Derivative financial instruments	*19*	196	133
Total Current liabilities		**8,557**	**7,873**
Non-current liabilities			
Bank term loan	*18*	9,800	9,800
Derivative financial instruments	*19*	37	253
Total non-current liabilities		**9,837**	**10,053**
Total liabilities		**18,394**	**17,926**
Net assets		**33,323**	**32,769**
Equity			
Issued capital	*13*	8,769	8,769
Retained earnings		24,554	24,000
Total equity		**33,323**	**32,769**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
Receipts from customers	83,583	82,369
Interest received	13	74
Receipts from joint venture	7,034	7,304
Payments to suppliers and employees	(84,989)	(81,018)
Interest paid	(317)	(485)
Income taxes paid	(1,414)	(1,556)
Net cash generated by operating activities	**3,910**	**6,688**
Cash flows from investing activities		
Dividend received from joint venture	500	750
Sale of property, plant and equipment and intangible assets	246	131
Payments for property, plant and equipment and intangible assets	(3,373)	(2,600)
Net cash used in / provided by investing activities	**(2,627)**	**(1,719)**
Cash flows from financing activities		
Dividends paid	(3,333)	(2,597)
Repayment of bank term loan	-	(5,200)
Net cash used in financing activities	**(3,333)**	**(7,797)**
Net increase (decrease) in cash and cash equivalents	**(2,050)**	**(2,828)**
Cash and cash equivalents at the beginning of the year	4,009	6,837
Cash and cash equivalents at the end of the year	**1,959**	**4,009**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
Reconciliation of profit after tax with net cash generated by operating activities		
Profit after tax	**3,887**	**5,616**
Non-cash items:		
Depreciation and amortisation	2,414	2,087
Derivative financial instruments	(153)	118
Share of joint venture net profit	(760)	(1,282)
Deferred tax	92	33
Items classified as investing and financing activities:		
(Gain) / loss on disposal of non current assets	(64)	122
Trade payables relating to capital expenditure	(383)	-
Changes in net assets and liabilities:		
Trade and other receivables	(1,644)	320
Prepayments	(100)	38
Trade and other payables	898	(457)
Current tax	(277)	93
Net cash generated by operating activities	**3,910**	**6,688**

STATEMENT OF CASH FLOWS

For the purpose of the statement of cash flows, cash and cash equivalents include cash and bank balances and investments in money market instruments.

The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 24 August 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 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) and for the purpose of complying with GAAP, the Group is a for profit entity. 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 2017 was $23,046k (2016: $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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

(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, NZ IFRS 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2018 and NZ IFRS 16 Leases which is effective for annual periods beginning on or after 1 January 2019.

NZ IFRS 9 *Financial Instruments* establishes the principles for hedge accounting and impairment of financial assets. The impact is expected to be minimal due to the nature of the Group's financial instruments.

NZ IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. The impact is expected to be minimal due to the nature of the Group's revenue.

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 fully 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.

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% (2016: 32%) of Group revenue, the total revenue of these customers is $27m (2016: $26m), this is included in the Domestic and International segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3. SEGMENT REPORTING (CONT.)

2017	Domestic $'000	International $'000	Joint Venture $'000	Head Office $'000	Inter-Segment $'000	Group $'000
Revenue						
Sales to customers outside the Group	57,699	27,722	-	-	-	85,421
Inter-segment sales	145	20	-	-	(165)	-
Total revenue	**57,844**	**27,742**	**-**	**-**	**(165)**	**85,421**
Segment profit (loss) before income tax	**8,448**	**3,462**	**1,058**	**(4,664)**	**-**	**8,304**
Share of joint venture interest, depreciation, tax*	-	-	(298)	-	-	(298)
Gain/(loss) on sale of assets	67	(3)	-	-	-	64
EBITDA	**8,515**	**3,459**	**760**	**(4,664)**	**-**	**8,070**
Key costs						
Depreciation and amortisation	(2,166)	(130)	-	(118)	-	(2,414)
Disbursements costs	(4,104)	(19,897)	-	-	165	(23,836)
Personnel costs	(21,972)	(3,626)	-	(3,272)	-	(28,870)
Net financing expenses	-	-	-	(540)	-	(540)
Segment Assets	37,594	8,534	3,062	2,527	-	51,717
Segment Liabilities	5,148	2,595	14	10,637	-	18,394
Segment acquisition of property, plant, equipment and computer software	(3,479)	(254)	-	(36)	-	(3,769)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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**	**1,789**	**(4,717)**	**-**	**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**	**1,282**	**(4,718)**	**-**	**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

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:

	2017 $'000	2016 $'000
Interest income	(3)	(9)
Depreciation and amortisation	10	11
Tax expense	588	1,012
Adjustment to Joint Venture profit	**595**	**1,014**
Group share 50%	298	507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4. PERSONNEL COSTS

	2017 $'000	2016 $'000
Salaries and wages	23,586	24,874
Defined contribution plans	532	545
Other employee benefits	4,604	4,068
Directors' fees	148	140
	28,870	**29,627**

5. OTHER OPERATING EXPENSES

	2017 $'000	2016 $'000
Other operating expenses include the following items:		
Fees paid to auditors - audit and half year review	98	127
Fees paid to auditors - taxation advice and tax return assistance	33	30
(Gain) / loss on disposal - property/plant/equipment/intangibles	(64)	122
Impairment (recovery) / loss on receivables	(4)	147
Foreign exchange gain	(100)	(58)
System maintenance	1,114	1,081
Other expenses	5,141	4,679
	6,218	**6,128**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

6. NET FINANCING EXPENSES

	2017 $'000	2016 $'000
Finance expenses		
Interest expense on bank borrowings	302	481
Other interest expense	10	4
Net fair value unrealised (gain) / loss on interest rate hedges	(153)	117
Net fair value realised loss on interest rate hedges	185	113
Bank facility fees	204	160
	548	**875**
Finance income		
Interest income	(8)	(74)
Net financing expenses	**540**	**801**

Interest is payable monthly in arrears, during the year the interest rate ranged between 2.93% and 3.32% per annum (2016: 3.32% and 5.36%) excluding the impact of any interest rate hedges.

7. TAXATION

	2017 $'000	2016 $'000
Income tax expense		
Current tax	1,136	1,666
Deferred tax	92	33
Under (over) provision in previous years	1	(15)
Income tax expense for the year	**1,229**	**1,684**
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	5,116	7,300
Income tax using company tax rate 28%	1,432	2,044
Non-assessable income - share of joint venture profit after tax	(213)	(359)
Non-deductible expenses	9	14
Under / (over) provision in previous years	1	(15)
	1,229	**1,684**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

7. TAXATION (CONT.)

DEFERRED TAX ASSET

	Opening balance $'000	Charged to income $'000	Closing Balance $'000
30 June 2017			
Temporary differences:			
Doubtful debts	31	(4)	27
Holiday liability	259	4	263
Property, plant and equipment	4	(39)	(35)
Provisions	230	(53)	177
	524	**(92)**	**432**

	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
Property, plant and equipment	4	0	4
Provisions	293	(63)	230
	557	**(33)**	**524**

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 $2,667,000 (2016: $1,662,000)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 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)	(1,738)	-	(2,250)
Balance at 30 June 2016	**1,807**	**2,472**	**2,526**	**16,438**	**194**	**23,437**
Additions	164	63	82	2,530	361	3,200
Disposals	(414)	(24)	(69)	(765)	-	(1,272)
Balance at 30 June 2017	**1,557**	**2,511**	**2,539**	**18,203**	**555**	**25,365**
Accumulated depreciation and impairment						
Opening balance 1 July 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)**
Eliminated on disposal of assets	411	24	64	577	-	1,076
Depreciation expense	(144)	(212)	(192)	(1,574)	-	(2,122)
Balance at 30 June 2017	**(1,144)**	**(1,733)**	**(1,771)**	**(9,629)**	**-**	**(14,277)**
Net book value						
As at 30 June 2016	396	927	883	7,806	193	10,205
As at 30 June 2017	413	778	768	8,574	555	11,088

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

The accounting methodology for depreciation was changed this year from diminishing value to straight line basis. The change provides more consistant depreciation over the assets' useful lives. The impact of the change is a reduction in the current year depreciation by $128,000.

Depreciation is charged so as to write off the cost or valuation of assets, other than capital work in progress, by using the straight line method, over the useful life of the asset. Under the straight line method, a pre-defined depreciation rate is applied to the cost of the asset to calculate the amount of depreciation for the year. Depreciation is charged to the profit or loss. The following useful lives have been used:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

8. PROPERTY, PLANT AND EQUIPMENT (CONT.)

Plant and equipment	2 years to 17 years
Furniture and fittings	5 years to 15 years
Vehicles	5 years to 15 years
Office equipment	2 years to 15 years

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

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

Assets pledged as security

Vehicles with a carrying value of $8.6m as at 30 June 2017 (30 June 2016: $7.8m) 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 subject to its covenant commitments regarding budgeted capital expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

9. INTANGIBLES

	Computer software $'000	Total $'000
Cost or valuation		
Opening balance 1 July 2015	1,775	1,775
Additions	648	648
Disposals	(87)	(87)
Balance at 30 June 2016	**2,336**	**2,336**
Additions	569	569
Disposals	-	-
Balance at 30 June 2017	**2,905**	**2,905**
Accumulated amortisation and impairment		
Opening balance 1 July 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)**
Eliminated on disposal of assets	-	-
Amortisation expense	(292)	(292)
Balance at 30 June 2017	**(1,802)**	**(1,802)**
Net book value		
As at 30 June 2016	826	826
As at 30 June 2017	1,103	1,103

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

Computer software 5 years

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

10. GOODWILL

	2017 $'000	2016 $'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 the business was acquired 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.

	2017 $'000	2016 $'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 2017, 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.

The key assumptions used for the value in use calculations for Domestic and International cash-generating units are based on forecast revenue and costs over a five year period. A weighted average cost of capital of 9.50% (2016: 10.00%) is used, based on the average cost of debt and equity, for the purposes of discounted cash flows. The terminal growth value used is 1.5% (2016: 2.0%), based on managements view of longer term growth rates in New Zealand.

The Directors consider that any reasonably possible changes in the key assumptions would not cause the carrying amount of any of the cash-generating units to exceed their recoverable amount.

11. INVESTMENT IN SUBSIDIARIES

		Shareholding	
Name	**Principal Activities**	**2017**	**2016**
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

12. INVESTMENT IN JOINT VENTURE

		Shareholding	
Name	**Principal Activities**	**2017**	**2016**
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 2017 of United Parcel Service - Fliway (NZ) Limited have been used. New Zealand is the principal place of business for the joint venture.

	2017 $'000	2016 $'000
Carrying value of joint venture:		
Share of profit before taxation	1,054	1,788
Share of income tax	(294)	(506)
Share of profit and total comprehensive income for the year	**760**	**1,282**
Carrying value at beginning of period	2,190	1,658
Dividends received	(500)	(750)
Investment in joint venture	**2,450**	**2,190**
Joint venture aggregate amounts:		
Revenue	16,006	16,599
Interest income	3	9
Expenses	(13,890)	(13,022)
Depreciation and amortisation	(10)	(11)
Tax expense	(588)	(1,012)
Profit and total comprehensive income	**1,521**	**2,563**
Cash	193	1,123
Trade and other receivables	5,401	4,492
Non-current assets	137	137
Total assets	**5,731**	**5,752**
Trade and other payables	833	1,209
Tax provision	5	165
Total liabilities	**838**	**1,374**

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 are 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 2017 (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

13. SHARE CAPITAL

	Issued Capital 2017 (Shares)	Issued Capital 2017 $'000	Issued Capital 2016 (Shares)	Issued Capital 2016 $'000
Ordinary shares				
Balance at beginning of the year	45,437,910	8,769	45,437,910	8,769
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.

	2017	2016
Profit after tax $'000	3,887	5,616
Weighted average number of ordinary shares	45,437,910	45,437,910
Basic and diluted earnings per share (in cents)	8.6	12.4

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 2017 (2016: nil).

15. DIVIDENDS

	2017	2017
Dividends recognised and unrecognised $'000	2,727	3,937
Weighted average number of ordinary shares	45,437,910	45,437,910
Dividends per share (in cents)	6.00	8.65

	2017 $'000	2016 $'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)	(7)	1,506
2016 final dividend 5.35 cents per share (2015: 1.90 cents)	2,431	-
2017 interim dividend 2.00 cents per share (2016: 3.30 cents)	909	-
	3,333	**2,597**
Unrecognised Amounts		
2017 final dividend 4.00 cents per share (2016: 5.35 cents)	1,818	2,431

The adjustment to the 2016 interim dividend in 2017 relates to the tax relief on the supplementary dividend of $6,659.

After balance date the above unrecognised dividend was approved by director's resolution dated 24 August 2017. These amounts have not been recognised as a liability in 2017, but will be brought to account in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

16. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Trade Receivables	10,017	8,622
Allowance for impairment loss	(96)	(109)
Related party receivables	613	676
Other receivables	575	276
	11,109	**9,465**

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.

	2017 $'000	2016 $'000
Ageing of past due but not impaired trade receivables:		
One month	1,250	860
Two months	150	60
Three months and over	74	162
	1,474	**1,082**

	2017 $'000	2016 $'000
Movements in the allowance for impairment loss:		
Opening balance	109	81
Impairment loss / (reversal) recognised on receivables	(4)	147
Amounts written off	(9)	(119)
Balance at year end	**96**	**109**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

17. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables	2,804	2,261
Accruals	3,126	2,352
Provisions	352	398
Related party payables	15	19
Employee entitlements	1,404	1,786
Goods and services tax (GST) payable	396	383
	8,097	**7,199**

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 44 days (38 days as at 30 June 2016).

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.

	2017 $'000	2016 $'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	9,800
Amount unused	5,200	5,200
	15,000	**15,000**
Total funding available:		
Amount used non-current	9,800	9,800
Amount unused	8,200	8,200
	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. On 6 December 2016 the facility agreement was extended 12 months, the new expiry date is 3 November 2018. 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 3.08% per annum (2016: 4.20%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 2017 the current bank term loan floating interest rate was 3.10% (2016: 3.32%). The interest rate review period on bank term loans is 90 days, this is unchanged from the prior year. At 30 June 2017 102% (2016: 102%) 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 (2016: nil).

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

	2017	2016
Interest-bearing loans	3.08%	4.20%
Interest-bearing deposits	0.39%	1.66%

Interest rate sensitivity:

It is estimated a 1% increase in interest rates would increase the Group's profit by $80,000 (2016: $104,000 increase). If interest rates decreased by 1% the Group's profit would decrease by $243,000 (2016: $275,000 decrease). This reflects the impact of interest rate swaps and options, the fair value of which are recognised in profit and loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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)	
	2017	2016	2017 $'000	2016 $'000	2017 $'000	2016 $'000
1 - 2 years	4.57%	4.57%	10,000	10,000	(233)	(386)

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 2017	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	-	5,944	5,944	5,944	-	-
Bank term loan	3.08%	9,800	10,206	302	9,904	-
Derivative financial instruments	-	233	233	196	37	-

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	133	206	47

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 2017 the maximum exposure to credit risk is $13,068,000 (2016: $13,474,000).

(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 using the shippers given foreign currency rate and including a currency adjustment factor. Where possible invoicing is in foreign currency to offset any foreign currency payables, which are often payable on arrival. 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 2017 is $100,000 (2016: $58,000 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 2.5

> 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 2016.

(vii) Categories of financial assets and financial liabilities

	2017 $'000	2016 $'000
Financial assets		
Bank and receivables at amortised cost	13,068	13,474
	13,068	**13,474**
Financial liabilities		
Derivatives classified as fair value through profit or loss	233	386
Loan and other payables at amortised cost	15,744	14,432
	15,977	**14,818**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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.

		2017 $'000	2016 $'000
Transactions and outstanding balances between the Group and related parties:			
Transactions			
Joint Venture	Revenue from services provided	4,067	4,288
Joint Venture	Services received	(118)	(121)
Joint Venture	Recharged expenses	3,189	3,231
Joint Venture	Dividends received	500	750
Outstanding balances			
Joint Venture	Trade receivables at balance date	613	676
Joint Venture	Trade payables at balance date	(15)	(19)

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.

	2017 $'000	2016 $'000
Key Management Personnel		
The compensation of the directors and executives, being the key management personnel of the Group is as follows:		
Short-term benefits	1,833	2,213
Termination Benefits	-	55
	1,833	**1,740**

Compensation includes accrued benefits owing to key management personnel at the end of the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

21. COMMITMENTS

	2017 $'000	2016 $'000
Operating leases		
Obligations payable after balance date on non-cancellable leases are as follows:		
Within one year	6,927	6,849
1-5 years	20,591	16,377
5+ years	5,929	6,588
	33,447	**29,814**

The majority of operating leases relate to property leases, non-freight vehicles and equipment leases. Operating leases for property contain annual rental review clauses. During the year the property lease at the Plunket Avenue 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.

	2017 $'000	2016 $'000
Capital		
As at 30 June 2017 there are capital commitments for:		
Motor Vehicles	826	1,176
	826	**1,176**

22. CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2017 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 August 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 $2 million. The limit reduces annually to $nil by 2020.

23. SUBSEQUENT EVENTS

A final dividend of 4.00 cents per share was declared on 24 August 2017, totalling $1,817,516.

SEVEN / CORPORATE GOVERNANCE

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. This Corporate Governance Statement sets out the corporate governance policies, practices and processes adopted or followed by Fliway (including the guiding principles, authority, responsibilities, membership and operation of the Board of Directors of Fliway) as at 30 June 2017, and has been approved by the Board.

The best practice principles (and underlying recommendations) which Fliway has had regard to in determining its governance approach are the principles set out in the NZX Corporate Governance Code 2017 ('NZX Code'). The Board's view is that Fliway corporate governance policies, practices and processes generally follow the recommendations set by the NZX Code. This Corporate Governance Statement includes disclosure of the extent to which Fliway has followed each of the recommendations in the NZX Code (or, if applicable, an explanation of why a recommendation was not followed and any alternative practices followed in lieu of the recommendation).

Further information about Fliway's corporate governance framework (including Fliway's board and Board committee charters, and codes and policies referred to in this section) is available to view at **www.fliway.com/investors/governance.**

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

CODE OF ETHICS AND RELATED POLICIES

Recommendation 1.1: *The Board should document minimum standards of ethical behaviour to which the issuer's Directors and employees are expected to adhere (a code of ethics) and comply with the other requirements of Recommendation 1.1 of the NZX Code.*

Fliway expects its Directors, senior managers and employees to maintain the highest standards of honesty, integrity and ethical conduct in day to day behaviour and decision making. The Board has adopted a Code of Ethics, a Whistleblowing Policy, a Confidentiality Policy, and a Share Trading Policy, all of which are available on Fliway's website.

The Code of Ethics applies to all Directors, employees, contractors for personal services and advisers and outlines Fliway's expectations about behaviour (including the specific expectations prescribed in the NZX Code), as well as the procedure for any breach of the Code. Every Director is required to read and understand the Code of Ethics and acknowledge that they have done so. For all employees, the elements of the Code of Ethics are embedded within our Employee Handbook including our 'Simple Rules', and incorporated within our Employment Agreements.

As at the date of this Corporate Governance Statement, regular updated training in respect of the Code of Ethics has not commenced but this will be implemented in the following financial year. However, the Simple Rules and the Employee Handbook are included as aspects for all induction training.

SHARE TRADING POLICY

Recommendation 1.2: *An issuer should have a financial product dealing policy which applies to employees and Directors.*

The Share Trading Policy sets out Fliway's requirements for all Directors and employees in relation to trading Fliway's shares. The policy incorporates all trading restraints. Directors and senior managers are restricted from trading in the company's shares during 'black out' periods around the annual balance date and the half year balance date, and proposed transactions by Directors or senior managers at any other time require approval. The policy also provides that no Directors or employees can trade shares if they are in possession of price sensitive information that is not publicly available.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Board is comprised of three Directors with a mix of qualifications, skills and experience appropriate to Fliway's business. The Chair of the Board is elected by the Board each year. The Board schedules a minimum of nine meetings each year.

BOARD CHARTER

Recommendation 2.1: *The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board. The Board charter should clearly distinguish and disclose the respective roles and responsibilities of the Board and management.*

The Board has adopted a formal Board Charter which sets out the respective role, responsibilities, composition and structure of the Board and senior management, and this is available on Fliway's website. The Board is responsible for the strategic direction of Fliway and for supervising the management of the business for the benefit of its shareholders. Responsibility for the day to day management of Fliway has been delegated to the Managing Director and the Senior Management Team. The Chief Financial Officer and legal advisors provide company secretarial services to the Board. The Chief Financial Officer is accountable to the Board through the Chair.

NOMINATION AND APPOINTMENT OF DIRECTORS

Recommendation 2.2 and 2.3: *Every issuer should have a procedure for the nomination and appointment of Directors to the Board. An issuer should enter in to written agreements with each newly appointed Director establishing the terms of their appointment.*

The Board is responsible for succession planning. The procedure for the nomination and appointment of Directors is included in the Board Charter. When considering the appointment of a new Director, the Board will consider the skills of the existing Board and any gaps and the Board will undertake appropriate checks as to the candidate's character and experience. Where Fliway determines that a person is an appropriate candidate, shareholders are notified of that and are provided with all material information in Fliway's possession that is relevant to their decision on whether to elect or re-elect a Director. All new Directors enter in to a written agreement with Fliway setting out the terms of their appointment.

DIRECTORS

The Board currently comprises three Directors. Two of the Directors are non-executive Directors, the third is the Managing Director. The Board has considered which of its Directors are deemed to be independent for the purposes of the NZX Listing Rules and has determined that, as at 30 June 2017, two Directors are independent Directors, including the Chair and the Chair of the Audit and Risk Committee. As at the date of this Annual Report, the Directors are:

Craig Stobo	Chair, Independent Director	Appointed in March 2015
Alan Isaac	Independent Director	Appointed in March 2015
Duncan Hawkesby	Managing Director	Appointed in October 2006

There has been no change in Directors during the period under review.

DIRECTOR PARTICULARS

Recommendation 2.4: *Every issuer should disclose information about each Director in its Annual Report or on its website, including a profile of experience, length of service, independence and ownership interests.*

A biography of each Director is available on Fliway's website in accordance with this recommendation.

DIRECTORS' INTERESTS IN SHARES

Directors disclosed the following relevant interests in shares as at 30 June 2017:

Director	Number of shares in which a relevant interest is held
Craig Stobo	54,400 shares
Alan Isaac	50,000 shares
Duncan Hawkesby	24,629,576 shares

For the period 1 July 2016 to 30 June 2017, there has been no Director or Senior Manager share dealings.

DIVERSITY

Recommendation 2.5: *An issuer should have a written Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess biennially both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.*

Fliway has a Diversity & Inclusion Policy which aims to ensure the Company has a focus on diversity and inclusion throughout the organisation. This recognises that a diverse work force (including at Board and management levels) contributes to business growth and performance, helping to drive an inclusive, high performance environment.

The Diversity & Inclusion Policy establishes measurable initiatives for achieving diversity within a Diversity & Inclusion Plan included in the annual People Roadmap. These include short term initiatives and long term goals, focusing on a work environment based on the values of Pride and Respect.

In the next financial year and annually, the Board will assess the organisation's progress in achieving these objectives and the objectives themselves. The Diversity & Inclusion Policy is available on Fliway's website.

As at 30 June 2017 (and 30 June 2016 for the prior comparable period), the gender breakdown of the Directors, officers (as that term is defined in the NZX Listing Rules) and employees is as follows:

	As at 30 June 2017		As at 30 June 2016	
Gender	Male	Female	Male	Female
Directors	3	-	3	-
Officers	4	1	4	1
Employees	292	87	301	88

DIRECTOR TRAINING

Recommendation 2.6: *Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of an issuer.*

The Board ensures that there is appropriate training for all Directors enabling them to remain current on how to best discharge their responsibilities and keep abreast of changes and trends in economic, political, social, financial and legal climates and governance practices.

The Board also ensures that new Directors are appropriately introduced to management and the business, that all Directors are acquainted with relevant industry knowledge and receive copies of appropriate company documents to enable them to perform their role. This includes the completion of site induction(s) and a minimum of one site visit, and the provision of the core Fliway Health & Safety training materials.

EVALUATION OF PERFORMANCE OF DIRECTORS

Recommendation 2.7: *The Board should have a procedure to regularly assess Director, Board and committee performance.*

The Chair of the Board leads an annual performance review and evaluation of the Board as a whole, and of Board committees against the Board Charter including seeking Director's views relating to Board and Board committee process, efficiency and effectiveness, for discussion by the full Board. The Chair of the Board also engages with individual Directors to evaluate and discuss performance and professional development.

SEPARATION OF BOARD CHAIR AND MANAGING DIRECTOR

Recommendation 2.8: *The Chair and the Managing Director should be different people.*

The Fliway Board Charter requires the Board Chair to be an Independent Director, and not the same person as the Managing Director or the Chair of the Audit and Risk Committee.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

OVERVIEW OF BOARD COMMITTEES

The Board has one standing committee to assist in the execution of the Board's duties, being the Audit and Risk committee.

Recommendation 3.5: *All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

The Audit & Risk Committee operates under a charter which is available on Fliway's website. Committee members are appointed from members of the board and membership is reviewed on an annual basis. Any recommendations made by committees are submitted to the full Board as recommendations for Board decision.

ATTENDANCE AT BOARD AND COMMITTEE MEETING FOR THE YEAR ENDED 30 JUNE 2017

	Board		Audit and Risk	
	Eligible	Attended	Eligible	Attended
Craig Stobo	9	9	6	6
Alan Isaac	9	9	6	6
Duncan Hawkesby	9	9	6	6

AUDIT AND RISK COMMITTEE

Recommendation 3.1: *An issuer's Audit Committee should operate under a written charter. Membership on the Audit Committee should be majority independent and comprise solely of non-executive Directors of the issuer. The Chair of the Audit and Risk Committee should not also be the Chair of the Board.*

The Audit and Risk Committee comprises Alan Isaac (Chair), Craig Stobo and Duncan Hawkesby and met six times during the year. The Audit and Risk Committee assists the Board in providing oversight of all matters relating to financial management, financial accounting, risk assessment and controls, audit and the external reporting requirements of Fliway and its subsidiary companies. The Audit and Risk Committee operates under the Audit and Risk Committee Charter.

Due to the size of the Fliway Board, Duncan Hawkesby, a non-independent executive Director, is a member of the Audit & Risk Committee, which does not follow this recommendation.

Recommendation 3.2: *Employees should only attend Audit and Risk Committee meetings at the invitation of the Audit and Risk Committee.*

The Chief Financial Officer and Finance Manager attend Audit and Risk Committee meetings at the invitation of the Audit and Risk Committee. Fliway's external auditor attends meetings as deemed necessary by the Audit and Risk Committee. The Audit and Risk Committee also meets and receives reports from the external auditor without the Managing Director and management present, concerning any matters that arise in connection with the performance of their role.

REMUNERATION COMMITTEE

Recommendation 3.3: *An issuer should have a Remuneration Committee which operates under a written charter (unless this is carried out by the whole Board). At least a majority of the Remuneration Committee should be independent Directors. Management should only attend Remuneration Committee meetings at the invitation of the Remuneration Committee.*

The Board has decided not to have a separate Remuneration Committee with the whole Board involved in the responsibility and oversight relative to remuneration and performance of the Managing Director and the Senior Management team, remuneration of Directors and human resources policy and strategy. The Board does have a Remuneration Policy that covers the Board and management remuneration framework.

NOMINATION COMMITTEE

Recommendation 3.4: *An issuer should establish a Nomination Committee to recommend Director appointments to the Board (unless this is carried out by the whole Board), which should operate under a written charter. At least a majority of the Nomination Committee should be independent Directors.*

The Board has decided not to have a separate Nomination Committee as Director appointments are considered by the Board as a whole. The procedure for the nomination and appointment of Directors is included in the Board Charter, and summarised in Principle 2 above (under the heading "Nomination and Appointment of Directors").

TAKEOVER PROTOCOLS

Recommendation 3.6: *The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer (amongst other matters).*

Fliway does not have formal takeover protocols in place as at the date of this Corporate Governance Statement. Such formal protocols are in the process of being developed, and are expected to be adopted shortly.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board is committed to providing timely, orderly, consistent, accurate and credible information to the market to promote investor confidence.

CONTINUOUS DISCLOSURE

Recommendation 4.1: *An issuer's Board should have a written Continuous Disclosure Policy.*

All information received by Fliway is considered in the context of Fliway's obligations as a listed company with regard to continuous disclosure of material information. At each Board meeting, the Board considers whether there is material information that is required to be disclosed to the market. Fliway has established a Market Disclosure Policy to ensure compliance with the continuous disclosure requirements of the NZX Listing Rules. The Market Disclosure Policy is available on Fliway's website.

CHARTERS AND POLICIES

Recommendation 4.2: *An issuer should make its code of ethics, Board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.*

Information about Fliway's corporate governance framework (including the Code of Ethics, Board and Board committee charters, and other key governance codes and policies) are available to view on Fliway's website at **www.fliway.com/investors/governance**

REPORTING

Recommendation 4.3: *Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.*

The Audit and Risk committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements, and ensuring that financial reporting is balanced, clear and objective. It reviews annual and half year financial statements and makes recommendations to the Board concerning the application of accounting policies and practice, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit.

Management accountability for Fliway's financial reporting is reinforced by the written certification from the Managing Director and Chief Financial Officer that, in their opinion, financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Fliway. Such representations are given on the basis of a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risk.

The Fliway Board is in the process of developing a new Sustainability Policy. It expects it to be adopted shortly, with sustainability measures reported on in future years. Until the new policy is released, the business will continue to adhere to our Environmental Policy that has been in place for a number of years and aims to reduce the environmental impact of the business and business decisions.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

DIRECTORS' REMUNERATION

Recommendation 5.1: *An issuer should recommend Director remuneration to shareholders for approval in a transparent manner. Actual Director remuneration should be clearly disclosed in the issuer's annual report.*

Directors' remuneration is paid in the form of fees. Additional fees are payable in respect of work carried out on Board committees. In addition to this, the Managing Director is paid a salary.

Where required in the future, the Board will ensure that recommendations to shareholders regarding approval of Director remuneration is provided in a transparent manner.

APPROVED CURRENT DIRECTOR REMUNERATION

Non Executive / Independent Director Roles	Position	Fees (p.a.)
Board of Directors	Chair	$90,000
	Member	$50,000
Audit and Risk Committee (additional)	Chair	$10,000

With effect from 5 March 2015, the total pool for fees and Board committee responsibilities is fixed at $300,000 per annum.

DIRECTOR REMUNERATION

Received during the period 1 July 2016 to 30 June 2017.

Director	Board Fees	Audit and Risk Committee	Other payments/ benefits	Total Remuneration
Craig Stobo (Chair)	$87,500	-	-	$87,500
Alan Isaac	$50,000	$10,000	-	$60,000

The above fees exclude GST and expenses. The Chair received an increase in fees effective 1 October 2016, meaning the total remuneration reflects the combination of the former fee rate and the increased fee rate for that position from $80,000 per annum to $90,000 per annum.

REMUNERATION POLICY

Recommendation 5.2: *An issuer should have a Remuneration Policy for remuneration of Directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.*

Fliway has adopted a Remuneration Policy which sets out the remuneration principles that apply to all Directors and senior managers of Fliway to ensure that remuneration practices are fair and appropriate, and that there is a clear link between remuneration and performance.

Fliway is committed to applying fair and equitable remuneration and reward practices in the workplace, taking into account internal and external relativity, the commercial environment, the ability to achieve Fliway's business objectives and the creation of shareholder value. Under Fliway's remuneration framework, individual performance and market relativity are key considerations in all remuneration based decisions, balanced by the organisational context. Remuneration for senior managers includes a mix of fixed and variable components. A copy of the Remuneration Policy is available on Fliway's website.

EMPLOYEE'S REMUNERATION

Fliway Group did not employ people directly in the year ended 30 June 2017. All employees are employed by the subsidiaries of Fliway Group. The number of employees (including former employees) of Fliway's subsidiaries, not being a Director, who received remuneration and other benefits in excess of $100,000 for the financial year ended 30 June 2017 is set out in the table of remuneration below.

The remuneration figures shown in the "remuneration" column includes all monetary payments actually paid during the course of the year ended 30 June 2017 that relate to that period. Payment of incentives relating to the year ended 30 June 2016 are not included in the remuneration but entitlement to incentives relating to the year ending 30 June 2017 are included but will only be paid out as authorised within the Remuneration Policy.

Remuneration	Number of employees
$100,000 to $110,000	9
$110,000 to $120,000	7
$120,000 to $130,000	4
$130,000 to $140,000	2
$140,000 to $150,000	1
$150,000 to $160,000	4
$160,000 to $170,000	2
$180,000 to $190,000	1
$190,000 to $200,000	1
$230,000 to $240,000	1
$270,000 to $280,000	1
$320,000 to $330,000	1
$340,000 to $350,000	1
$510,000 to $520,000	1

MANAGING DIRECTOR REMUNERATION

Recommendation 5.3: *An issuer should disclose the remuneration arrangements in place of the Managing Director in its Annual Report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.*

The remuneration of the Managing Director for the year ended 30 June 2017 and the prior comparable period are as follows:

Financial Year	Base Salary	STI	Other	Remuneration Total
2017	$120,000	-	1,202	$121,202
2016	$120,000	120,000	2,386	$242,386

The remuneration of the Managing Director comprises of fixed remuneration and STI performance payments.

SENIOR MANAGERS

Fliway's senior managers are appointed by the Managing Director and their key performance indicators ('KPIs') contain specific financial and other objectives. These KPIs are reviewed annually by the Managing Director. The performance of the senior managers against these KPIs is evaluated annually.

SHORT TERM INCENTIVE PAYMENTS

Short term incentive ('STI') payments are at risk payments designed to motivate and reward for performance, typically in that financial year. The target value of a STI payment is set either as a percentage of the employee's base salary or as a fixed dollar amount. The target areas for all employees who are entitled to a STI payment are set based on financial performance (EBIT performance against budget), health and safety performance (injury and Health and Safety Audit ratings), operational KPI achievement and personal goals. The weightings applied to each of the target areas are broadly consistent across Fliway for all employees entitled to a STI payment.

LONG TERM INCENTIVE PAYMENTS

Fliway Group currently does not operate any form of Long Term Incentive scheme for employees.

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

RISK MANAGEMENT

Recommendation 6.1: *An issuer should have a risk management framework for its business and the issuer's Board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.*

The Board is responsible for Fliway's risk management and internal control. The Board have put in place a Risk Management Policy, have implemented an organisational Risk Matrix to identify and manage risk, and receive regular risk management status reports to assess and rate risks and detail the management of them. Fliway maintains insurance policies that it considers adequate to meet insurable risks.

HEALTH AND SAFETY

Recommendation 6.2: *An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.*

Fliway has an established Health and Safety Policy, and H&S system to assist our people, including managers, throughout the business in managing health and safety and promoting a workplace culture driven by our H&S vision of "100% Home Safely".

Fliway employs a National Health & Safety Manager to work closely with our people in creating and sustaining a safe workplace, and assisting management and the Board in meeting its responsibilities under the Health and Safety at Work Act 2015.

Health and Safety review reports are a priority agenda item at all Board meetings and specific reviews or full reports of incidents and the associated safety risks and controls are sought as required.

A significant section of the Fliway organisational Risk Matrix is dedicated to Health and Safety in order to identify specific risks, assess their severity and likelihood, document mitigation strategies and determine the level of residual risk. This matrix is reviewed at least annually by the Board. Annual Health and Safety objectives and KPI's are set for the business based on the significant risks identified, and performance is measured and reported monthly. In addition, a H&S Roadmap is created from feedback through the business and then issued with Board and Senior Manager commitment on an annual basis.

Detailed monthly reports are produced for the Board covering Health and Safety incidents, new risks, injury rates by severity, site health and safety audit ratings, lead indicators and trends over time.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

Relationship with Auditor

Recommendation 7.1 and 7.2: *The Board should establish a framework for the issuer's relationship with its external auditor. This should include the procedures prescribed in the NZX Code. The external auditor should attend the issuer's annual meeting to answer questions from shareholders in relation to the audit.*

The Audit and Risk Committee is responsible for the oversight of Fliway's external audit arrangements. It is committed to ensuring Fliway's external auditor is able to carry out its work independently so that financial reporting is highly reliable and credible. Fliway has an External Auditor Independence Policy, which is available on Fliway's website. The External Audit Independence Policy implements the procedures set out in the NZX code.

The policy sets out the work that the external auditor is required to do and specifies the services that the external auditor is not permitted to do, so that the ability of the auditor to carry out its work is not impaired and could not reasonably be perceived to be impaired. All non-audit work that the external auditor performs must be approved by the Chair of the Audit and Risk Committee.

Fliway's external auditor is Deloitte. Total fees paid to Deloitte in its capacity as auditor for FY2017 were $97,502. Total fees paid to Deloitte for other professional services for FY2017 were $33,000. The other service fees comprise taxation compliance services.

Deloitte has been invited to attend this year's annual meeting and will be available to answer questions about the audit process, Fliway's accounting policies and the independence of the auditor.

INTERNAL AUDIT FUNCTIONS

Recommendation 7.3: *Internal audit functions should be disclosed.*

Fliway does not have an internal audit function other than the oversight of the Audit and Risk Committee. The Fliway Board is in the process of considering how it might address internal audit and expect to develop an internal audit plan targeting specific internal processes within the next 12 months. The internal audit plan will likely involve engaging specialist auditors to evaluate and continually improve the effectiveness of risk management and internal processes.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

INFORMATION FOR SHAREHOLDERS

Recommendation 8.1: *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

Fliway is committed to an open and transparent relationship with shareholders. The Board aims to ensure that all shareholders are provided with all information necessary to assess Fliway's direction and performance.

This is done through a range of communication methods including periodic and continuous disclosures to the NZX, half year and annual reports and the annual meeting. Fliways website provides financial and operational information, and information about its Directors and senior managers and copies of its governance documents, for investors and interested stakeholders to access at any time.

COMMUNICATING WITH SHAREHOLDERS

Recommendation 8.2: *An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.*

Shareholders have the option of receiving their communications electronically, including by email or through Fliway's investor section of its website. Fliway's website also contains a section for electronic shareholder communications and the Board encourages investors to make enquiries if they wish on environment, social and governance issues.

SHAREHOLDER VOTING RIGHTS

Recommendation 8.3 and 8.4: *Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in. Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.*

The regulatory safeguards built into the NZX Listing Rules, the Companies Act 1993 and Fliway's constitution operate to preserve shareholders' entitlement to vote on key decisions impacting Fliway, including where votes are conducted by poll, each shareholder shall have one vote per share.

NOTICE OF ANNUAL MEETING

Recommendation 8.5: *The Board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.*

Fliway encourages shareholder participation in meetings, and the Board aims to ensure that all relevant information is provided to shareholders for consideration with sufficient notice in advance of shareholders' meetings (and at least 28 days prior to Fliway's annual meeting, including by posting the notice of annual meeting on Fliway's website).

PRINCIPLE 9 – STAKEHOLDER INTERESTS

The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

The Board carefully considers and respects the interests of Fliway's stakeholders (in addition to its shareholders) including, in particular, our customers, the customers of our customers, our staff and the communities in which we operate.

OTHER DISCLOSURES REQUIRED UNDER THE COMPANIES ACT 1993

DISCLOSURE OF DIRECTORS' INTERESTS

Directors disclosed, under section 140(2) of the Companies Act 1993, the following interests changed during the year ended 30 June 2017:

Director	Entity	Nature of Interest
Craig Stobo	No changes disclosed	
Alan Isaac	Acurity Health Group Limited	Ceased to be a Director
	Skellerup Holding Limited	Appointed Director
	Institute of Directors	Appointed Vice-President
Duncan Hawkesby	No changes disclosed	

INDEMNITY AND INSURANCE

Fliway has granted indemnities, as permitted by the Companies Act 1993 and the Financial Markets Conduct Act 2013, in favour of each of its Directors. Fliway also maintains Directors' and Officers' liability insurance for its Directors and officers.

NZX WAIVERS

Fliway did not rely upon any waivers granted by the NZX during the year ended 30 June 2017.

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 2017.

DONATIONS

For the year ended 30 June 2017, Fliway paid a total of $500 in donations.

SUBSIDIARY COMPANY DIRECTORS

Duncan Hawkesby is the sole Director of all Fliway 100% owned subsidiary companies. Directors representing Fliway's interests on the Board of the Joint Venture, United Parcel Service – Fliway (NZ) Limited, were Duncan Hawkesby, Jim Sybertsma and Craig Magee.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

Set out below are details of the 20 largest shareholders of Fliway as at 1 August 2017.

Rank	Shareholder	Total Units	% Shares
1	Duncan John Hawkesby & Gretchen Sarah Hawkesby	24,604,576	54.15
2	Guardian Nominees No 2 Ltd	1,617,540	3.56
3	National Nominees New Zealand Limited	1,543,768	3.40
4	Ace Finance Limited	803,500	1.77
5	FNZ Custodians Limited	650,781	1.43
6	Xinwei Investment (Nz) Limited	650,000	1.43
7	Yong Zhong	575,660	1.27
8	Bnp Paribas Nominees NZ Limited	339,300	0.75
9	Custodial Services Limited	323,200	0.71
10	HSBC Nominees (New Zealand) Limited	310,000	0.68
11	Chin Hwa Wu Yu	300,000	0.66
12	Hsiao Pau Yu & Chin Hwa Yu	300,000	0.66
13	Forsyth Barr Custodians Limited	300,000	0.66
14	Cogent Nominees Limited	300,000	0.66
15	Forsyth Barr Custodians Ltd	272,396	0.60
16	Roger John Williams	242,000	0.53
17	Geoffrey Stewart Wilkinson	225,000	0.50
18	Tea Custodians Limited	188,532	0.41
19	Ronald James Woodrow	130,000	0.29
20	Jiang Lin	130,000	0.29
Total		**33,806,253**	**74.41**

SPREAD OF HOLDINGS

Set out below are details of the spread of shareholders of Fliway as at 1 August 2017.

Range	Number of Shareholders	%	Number of Shares	%
1-1000	84	7.98	63,086	0.14
1001-5000	425	40.40	1,435,572	3.16
5001-10000	264	25.10	2,323,659	5.11
10001-50000	235	22.34	5,518,462	12.15
50001-100000	26	2.47	1,894,227	4.17
Greater than 100000	18	1.71	34,202,904	75.27

SUBSTANTIAL PRODUCT HOLDERS

According to notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders of Fliway as at 30 June 2017.

Substantial Product Holder	Ordinary Shares	%	Date of Notice
Duncan John Hawkesby and Gretchen Sarah Hawkesby as Trustees of the D & G Hawkesby Trust	24,604,576	54.15	9 April 2015
Salt Funds Management	3,876,462	8.53	14 February 2017

The total number of Fliway Group Limited ordinary shares on issue at 30 June 2017 was 45,437,910.


FLIWAY
DELIVERING TRANSPORT SOLUTIONS
ISUZU
HGQ584

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

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66 Westney Road
Mangere
Auckland 2022

www.fliway.com