

**WISEWAY LOGISTICS PTY LTD**

**ABN 47 123 556 561**

**ANNUAL FINANCIAL REPORT**

**30 JUNE 2018**

**WISEWAY LOGISTICS PTY LTD**  
**ABN 47 123 556 561**

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**WISEWAY LOGISTICS PTY LTD**  
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**DIRECTORS' REPORT**

The directors present their report together with the consolidated financial statements of the Group, comprising of Wiseway Logistics Pty Ltd (the "Company") and its subsidiaries, for the financial year ended 30 June 2018 and the auditor's report thereon.

**Directors**

The directors of the Company at any time during or since the end of the financial year are:

Florence Yanli Tong	Appointed on 22 January 2007
Roger Shigang Tong	Appointed on 22 January 2007

The company secretary is Florence Tong who was appointed on 22 January 2007.

**Principal activities**

The principal activities of the Group during the financial year were the movement and logistics of goods by freight to cater to the needs of those interstate or overseas.

There were no other significant changes in the nature of the activities of the Group during the financial year.

**Review of operations**

The profit for the Group for the financial year after providing for income tax amounted to \$1,162,232 (2017: \$928,320).

**Significant changes in the state of affairs**

On 17 January 2018, the Group acquired 51% of the issued capital of Four Seasons Cargo Pty Limited, an Australia based cargo sales agent who co-ordinates and facilitates incoming and outgoing shipments, for consideration of \$50,000.

On 16 March 2018, all of the share capital of the Company was acquired by Wiseway Group Limited as part of a group restructure. All of the shareholders of the Company at that time received shares in Wiseway Group Limited in the same proportion to their original shareholding in the Company. Wiseway Group Limited is now the parent entity of the Company.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

**Environmental regulation**

The Group's operations are not subject to significant environmental regulations under both Commonwealth and State legislation. However, the directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group during the financial year covered by this report.

**Dividends**

No dividends were paid or declared by the Company during or since the end of the financial year (2017: Nil).

**Likely developments and expected results of operations**

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

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**DIRECTORS' REPORT**

**Share options**

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**Matters subsequent to the end of the financial year**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**Indemnification and insurance of officers and auditors**

The Company has not indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

**Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the financial year ended 30 June 2018.

This report is made in accordance with a resolution of the Directors:



Roger Tong  
*Director*



Florence Tong  
*Director*

Dated at Sydney this 14th day of September 2018



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Wiseway Logistics Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Wiseway Logistics Pty Ltd and its controlled entities for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Chris Allenby

*Partner*

Sydney

14 September 2018

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
<b>Revenue</b>	<b>4</b>	82,247,523	64,853,533
Direct expenses		<u>(66,495,505)</u>	<u>(55,095,064)</u>
Gross profit		<u>15,752,018</u>	<u>9,758,469</u>
<b>Expenses</b>			
Employee expenses	<b>5(a)</b>	(8,619,400)	(4,922,384)
Occupancy expenses		(1,560,406)	(1,348,025)
Depreciation expense	<b>5(b)</b>	(1,539,307)	(1,159,871)
Administration and other expenses		<u>(1,484,441)</u>	<u>(767,724)</u>
<b>Results from operating activities</b>		<u>2,548,464</u>	<u>1,560,465</u>
Net finance costs	<b>6</b>	<u>(584,437)</u>	<u>(217,996)</u>
<b>Profit before income tax</b>		<u>1,964,027</u>	<u>1,342,469</u>
Income tax expense	<b>7(a)</b>	<u>(801,795)</u>	<u>(414,149)</u>
<b>Profit for the year</b>		<u>1,162,232</u>	<u>928,320</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>1,162,232</u>	<u>928,320</u>
<b>Profit attributable to:</b>			
Owners of the Company		1,145,068	928,320
Non-controlling interests		<u>17,164</u>	<u>-</u>
		<u>1,162,232</u>	<u>928,320</u>
<b>Earnings per share</b>			
Basic earnings per share (dollars)	<b>17</b>	1,162	928
Diluted earnings per share (dollars)	<b>17</b>	1,162	928

The accompanying notes form an integral part of these financial statements.

**WISEWAY LOGISTICS PTY LTD**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8(a)	1,288,015	416,165
Trade and other receivables	9	7,224,307	4,852,168
<b>Total current assets</b>		<u>8,512,322</u>	<u>5,268,333</u>
<b>Non-current assets</b>			
Financial assets	10	735,029	735,029
Property, plant and equipment	11	8,429,073	7,593,262
Deferred tax assets	7(b)	206,962	62,920
<b>Total non-current assets</b>		<u>9,371,064</u>	<u>8,391,211</u>
<b>Total assets</b>		<u>17,883,386</u>	<u>13,659,544</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	7,330,195	6,801,505
Borrowings	13	3,780,318	1,616,593
Employee benefits	14	213,272	109,145
Provisions	15	22,567	21,464
Current tax liabilities	7(c)	324,991	140,976
<b>Total current liabilities</b>		<u>11,671,343</u>	<u>8,689,683</u>
<b>Non-current liabilities</b>			
Borrowings	13	4,445,422	4,389,771
<b>Total non-current liabilities</b>		<u>4,445,422</u>	<u>4,389,771</u>
<b>Total liabilities</b>		<u>16,116,765</u>	<u>13,079,454</u>
<b>Net assets</b>		<u>1,766,621</u>	<u>580,090</u>
<b>Equity</b>			
Share capital	16	1,000	1,000
Retained earnings		1,724,158	579,090
Equity attributable to owners of the Company		1,725,158	580,090
Non-controlling interests	18	41,463	-
<b>Total equity</b>		<u>1,766,621</u>	<u>580,090</u>

The accompanying notes form an integral part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2018**

	Ordinary shares \$	Retained earnings \$	Total \$	Non- controlling interest	Total equity
<b>Balance at 1 July 2016</b>	1,000	(349,230)	(348,230)	-	(348,230)
<b>Comprehensive income</b>					
Profit for the year	-	928,320	928,320	-	928,320
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	928,320	928,320	-	928,320
<b>Transactions with owners of the Company, in capacity as owners</b>					
Shares issued during the year	-	-	-	-	-
Dividends paid	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<u>1,000</u>	<u>579,090</u>	<u>580,090</u>	<u>-</u>	<u>580,090</u>
<b>Balance at 1 July 2017</b>	1,000	579,090	580,090	-	580,090
<b>Comprehensive income</b>					
Profit for the year	-	1,145,068	1,145,068	17,164	1,162,232
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	1,145,068	1,145,068	17,164	1,162,232
<b>Transactions with owners of the Company, in capacity as owners</b>					
Shares issued during the year	-	-	-	-	-
Dividends paid	-	-	-	-	-
Acquisition of non-wholly owned subsidiary	-	-	-	24,299	24,299
<b>Total transactions with owners</b>	-	-	-	24,299	24,299
<b>Balance at 30 June 2018</b>	<u>1,000</u>	<u>1,724,158</u>	<u>1,725,158</u>	<u>41,463</u>	<u>1,766,621</u>

The accompanying notes form an integral part of these financial statements.



**WISEWAY LOGISTICS PTY LTD**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		88,452,163	69,904,994
Cash paid to suppliers and employees		<u>(87,283,873)</u>	<u>(66,730,781)</u>
Cash generated from operations		1,168,290	3,174,213
Interest received		5,431	11,457
Interest paid		(337,541)	(229,453)
Income taxes paid	7(c)	<u>(761,822)</u>	<u>(404,400)</u>
<b>Net cash flows from operating activities</b>	<b>8(b)</b>	<u>74,358</u>	<u>2,551,817</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(215,089)	(1,139,711)
Payments for investments in term deposits		-	(301,709)
Payments for acquisition of subsidiary, net of cash acquired		<u>24,299</u>	<u>-</u>
<b>Net cash flows used in investing activities</b>		<u>(190,790)</u>	<u>(1,441,420)</u>
<b>Cash flows from financing activities</b>			
Repayment of finance lease liabilities		(1,736,558)	(1,132,529)
Proceeds of loans from Directors		1,174,840	342,665
Proceeds of loans from parent entity	13	<u>1,550,000</u>	<u>-</u>
<b>Net cash flows from financing activities</b>		<u>988,282</u>	<u>(789,863)</u>
Net increase in cash and cash equivalents		871,850	320,534
Cash and cash equivalents at beginning of financial year		<u>416,165</u>	<u>95,631</u>
<b>Cash and cash equivalents at end of financial year</b>	<b>8(a)</b>	<u>1,288,015</u>	<u>416,165</u>

The accompanying notes form an integral part of these financial statements.

**WISEWAY LOGISTICS PTY LTD**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**1. CORPORATE INFORMATION**

Wiseway Logistics Pty Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 39 - 43 Warren Avenue, Bankstown, NSW 2200. These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies"). The Group is a for-profit entity and is primarily involved in the provision of freight forwarding services.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements also comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

These are Wiseway Logistics Pty Limited's first financial statements prepared in accordance with Australian Accounting Standards (AASBs) – Tier 1 and AASB 1 First-time Adoption of Australian Accounting Standards has been applied. As the entity has previously complied with all the recognition, measurement and classification requirements of Australian Accounting Standards and has not elected any options under AASB 1, there is no impact on the reported financial position, financial performance and cash flows of the entity.

**(b) Basis of measurement**

The financial statements have been prepared on an accruals basis and are based on historical cost unless otherwise stated in the notes.

**(c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Group's functional currency.

**(d) Use of estimates and judgements**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

**(e) Current versus non-current classification**

The Group presents assets and liabilities in its statements of financial position based on a current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading or is expected to be realised within twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**2. BASIS OF PREPARATION (CONTINUED)**

**(f) Going concern**

The financial report has been prepared on the going concern basis of accounting, which assumes the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for a period of at least twelve months from the date of signing these financial statements.

As at 30 June 2018, the Group had a working capital deficiency of \$3,159,021 (2017: \$3,421,350).

The ability of the Group to pay its debts as and when they fall due and the appropriateness of using the going concern basis of preparation of the financial report is dependent upon the continued financial support of its parent company, Wiseway Group Limited and its ultimate shareholders.

Subsequent to the end of the financial year, Wiseway Group Limited has provided additional loans to the Group of \$1,532,000. Further, the Group has recorded positive financial results and cash flows which have improved the working capital position.

The parent company and its ultimate majority shareholders, Wiseway Group Limited and Roger & Florence Tong respectively, have both written to the Group stating that they will continue to provide ongoing financial support to the Group through not calling for repayment of their loans totalling \$3,327,905 as at the date of this report, or any other balances payable by the Group, unless the Group is able to make such repayments without impairing its ability to conduct its normal business operations and pay its existing and anticipated debts as and when they fall due. The support is provided for the period up to the earlier of (i) The issuing of Wiseway Group Limited's shares in an Initial Public Offering ("IPO"); or (ii) Twelve months from the date of signing these annual financial statements.

After considering the above, the directors have concluded that the Group will be able to fulfil all obligations as and when they fall due to the foreseeable future, being at least twelve months from the date of approval of these financial statements, and accordingly, that the Group's financial statements should be prepared on a going concern basis.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies that have been adopted in the preparation of the financial statements are as follows:

**(a) Basis of consolidation**

*(i) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

*(ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*(iii) Non-controlling interests*

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(iv) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency**

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(c) Property, plant and equipment**

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

*(ii) Depreciation*

The depreciable amount of all fixed assets, including capitalised lease is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. However, all motor vehicles are depreciated using the diminishing value method.

The useful life used for each class of depreciable asset are:

<i>Class of fixed asset:</i>	<i>Useful life</i>
Motor vehicles	3 - 4 years
Furniture & fixtures	5 - 10 years
Office equipment	5 - 10 years
Leasehold improvements	25 years

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**(d) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Provision of services*

Revenue from the provision of freight services is determined with reference to the date of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(e) Financial instruments**

*(i) Initial recognition and subsequent measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transactions costs are recognised as expenses in profit or loss immediately.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest rate (EIR) method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

*(ii) Loans and receivables*

These assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any provision for impairment. Other receivables are recognised at amortised cost, less any provision for impairment.

*(iii) Cash and cash equivalents*

Cash comprises cash on hand and cash equivalents are short-term, highly liquid investments that are readily convertible to known cash amounts of cash and which are subject to an insignificant risk of changes in value. In the statement of cash flows, cash and cash equivalents includes bank overdrafts (if any) that are repayable on demand and form an integral part of the Group's cash management.

**(f) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(g) Impairment of assets**

*(i) Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

*Financial assets measured at amortised cost*

The Group considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

*(ii) Non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(h) Employee benefits**

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the nominal amounts expected to be paid when the liability is settled, plus any related on-costs. Both annual leave and long service leave are recognised within the provisions liability.

*(i) Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits and annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

*(ii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

**(i) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

**(j) Finance income and finance costs**

Finance income comprises interest income, dividend income and foreign currency gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**(k) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.



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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(l) Leases**

*(i) Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Assets held by the Group under leases, which transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

*(ii) Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(m) Tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

*(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous periods. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

*(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset only if certain criteria are met.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(n) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's directors to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(o) Standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

**(i) AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group has assessed the new standard's impact and does not anticipate a significant impact on the Group's Financial Report on initial application. The Group's main source of revenue is from freight forwarding revenue which are only calculated once the service, i.e. the logistics of goods by freight, has been provided.

The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result, the Group will not apply the requirements of AASB 15 to the comparative period presented.

**(ii) AASB 9 Financial Instruments**

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

The standard is not applicable until 1 January 2018 but is available for early adoption. When first applied, comparative information will need to be restated. The Group has assessed the new standard's impact and do not anticipate a significant impact on the Group's financial report on initial application for the following reasons:

1. AASB 9 only impacts financial liabilities designated at fair value through profit or loss and the Group does not hold any such financial liabilities.
2. The Group has no financial assets other than receivables balances which are measured at amortised cost and therefore not impacted.
3. The Group has not entered into any hedges.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(o) Standards issued but not yet effective (continued)**

**(iii) AASB 16 Leases**

AASB 16 removes the classification of leases as either operating lease or finance leases – for the lessee – effectively treating all lease as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will not recognise a front-loaded pattern of expenses for most leases, even when they pay constant rentals.

The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Group has assessed the new standard's impact and does not anticipate a significant impact on the Group's Financial Report on initial application.

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients. The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

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	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>4. REVENUE</b>		
Revenue from services rendered	81,857,800	64,853,533
Other income	389,723	-
	<u>82,247,523</u>	<u>64,853,533</u>
<b>5. EXPENSES</b>		
Profit before income tax includes the following specific expenses:		
<b>(a) Employee benefits expenses</b>		
Salaries and wages	3,988,701	2,871,616
Contractor costs	3,313,432	1,198,581
Contributions to superannuation funds	618,523	282,043
Increase in employee benefits	104,127	50,300
Other expenses	594,617	519,844
	<u>8,619,400</u>	<u>4,922,384</u>
<b>(b) Depreciation expense</b>		
Depreciation (refer to Note 11)	1,539,307	1,159,871
	<u>1,539,307</u>	<u>1,159,871</u>
<b>(c) Bad debts expense</b>		
Provision for doubtful debts	50,000	-
	<u>50,000</u>	<u>-</u>
<b>6. NET FINANCE COSTS</b>		
Interest and finance charges paid	337,540	229,453
Foreign exchange loss	252,328	-
Interest received	(5,431)	(11,457)
Total net finance costs	<u>584,437</u>	<u>217,996</u>

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	2018 \$	2017 \$
<b>7. INCOME TAX</b>		
<b>(a) Income tax expense</b>		
Income tax expense comprises current and deferred tax expense and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. The components of income tax expense comprise:		
Current tax	780,512	453,521
Deferred tax	(144,042)	(39,372)
Adjustment for prior years - current tax	165,325	-
	<u>801,795</u>	<u>414,149</u>
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Profit before income tax expense	<u>1,964,027</u>	<u>1,342,469</u>
Tax using the Group's domestic Australian tax rate of 30% (2017: 30%)	589,208	402,741
Non-deductible expenses	47,262	11,408
Adjustment for prior years - current tax	165,325	-
Income tax expense	<u>801,795</u>	<u>414,149</u>
<b>(b) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Provisions	21,770	6,439
Employee benefits	63,982	53,144
Accrued expenses	121,210	3,337
	<u>206,962</u>	<u>62,920</u>
<b>(c) Current tax liabilities</b>		
Opening balance at the beginning of the year	140,976	91,855
Current tax expense	780,512	453,521
Adjustment for prior years - current tax	165,325	-
Income tax paid	(761,822)	(404,400)
Closing balance at the end of the year	<u>324,991</u>	<u>140,976</u>

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		2018 \$	2017 \$
<b>8. CASH AND CASH EQUIVALENTS</b>			
(a) Cash and cash equivalents in statement of cash flows			
Current			
Bank balances		1,288,015	416,165
		<u>1,288,015</u>	<u>416,165</u>
(b) Reconciliation of cash flows from operating activities	Note		
Profit for year		1,162,232	928,320
Adjustments for:			
Depreciation expense	5(b)	1,539,307	1,159,871
Doubtful debts expense	5(c)	50,000	-
Income tax expense	7(a)	<u>801,795</u>	<u>414,149</u>
Operating profit before changes in working capital and provisions		3,553,334	2,502,340
Change in trade and other receivables		(3,351,074)	(2,492,397)
Change in trade and other payables		528,690	2,894,157
Change in employee benefits		104,127	50,300
Change in provisions		<u>1,103</u>	<u>1,817</u>
Net cash generated from operations		836,180	2,956,217
Income taxes paid	7(c)	(761,822)	(404,400)
Net cash from operating activities		<u>74,358</u>	<u>2,551,817</u>
<b>9. TRADE AND OTHER RECEIVABLES</b>			
Current			
Trade receivables		4,471,958	2,635,491
Less: Provision for doubtful debts		<u>(50,000)</u>	<u>-</u>
Net trade receivables		4,421,958	2,635,491
Other receivables		1,583,576	853,219
Security deposits		1,218,773	434,523
Loans to directors		<u>-</u>	<u>928,935</u>
		<u>7,224,307</u>	<u>4,852,168</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

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	2018 \$	2017 \$
<b>10. FINANCIAL ASSETS</b>		
Non-current		
Term deposits	735,029	735,029
	<u>735,029</u>	<u>735,029</u>

The Group invests in bank term deposits as part of security arrangements associated with leasing of premises (refer to Note 20(b)). The carrying value of term deposits is considered a reasonable approximation of fair value due to the short-term nature of the balances.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Office furniture, fittings and improvements \$	Motor vehicles \$	Total \$
<b>COST</b>			
Balance at 1 July 2016	955,766	4,104,970	5,060,736
Additions	1,442,268	3,414,945	4,857,213
Disposals	(11,124)	-	(11,124)
Balance at 30 June 2017	<u>2,386,910</u>	<u>7,519,915</u>	<u>9,906,825</u>
Balance at 1 July 2017	2,386,910	7,519,915	9,906,825
Additions	231,885	2,145,798	2,377,683
Disposals	-	(31,965)	(31,965)
Balance at 30 June 2018	<u>2,618,795</u>	<u>9,633,748</u>	<u>12,252,543</u>
<b>ACCUMULATED DEPRECIATION</b>			
Balance at 1 July 2016	(111,435)	(1,042,257)	(1,153,692)
Depreciation for the year	(97,788)	(1,062,083)	(1,159,871)
Balance at 30 June 2017	<u>(209,223)</u>	<u>(2,104,340)</u>	<u>(2,313,563)</u>
Balance at 1 July 2017	(209,223)	(2,104,340)	(2,313,563)
Depreciation for the year	(212,378)	(1,326,929)	(1,539,307)
Disposals	-	29,400	29,400
Balance at 30 June 2018	<u>(421,601)</u>	<u>(3,401,869)</u>	<u>(3,823,470)</u>
<b>CARRYING AMOUNT</b>			
At 1 July 2017	<u>2,177,687</u>	<u>5,415,575</u>	<u>7,593,262</u>
At 30 June 2018	<u>2,197,194</u>	<u>6,231,879</u>	<u>8,429,073</u>

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	2018	2017
	\$	\$
<b>12. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade and other payables	6,328,850	5,825,296
Accrued expenses	1,001,345	976,209
	<u>7,330,195</u>	<u>6,801,505</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

<b>13. BORROWINGS</b>	<b>Note</b>		
<b>Current</b>			
Finance lease liability		1,984,413	1,616,593
Loans from parent entity	<b>27(a)</b>	1,550,000	-
Loans from directors	<b>27(c)</b>	245,905	-
		<u>3,780,318</u>	<u>1,616,593</u>
<b>Non-current</b>			
Finance lease liability		4,445,422	4,389,771
		<u>4,445,422</u>	<u>4,389,771</u>

**(a) Finance lease liabilities are payable as follows:**

Less than one year			
Future minimum lease payments		2,259,700	1,863,874
Interest		(275,287)	(247,280)
Present value of minimum lease payments		<u>1,984,413</u>	<u>1,616,593</u>
Between one and five years			
Future minimum lease payments		4,761,049	4,723,443
Interest		(315,627)	(333,672)
Present value of minimum lease payments		<u>4,445,422</u>	<u>4,389,771</u>
More than five years			
Future minimum lease payments		-	-
Interest		-	-
Present value of minimum lease payments		<u>-</u>	<u>-</u>
<b>Total</b>			
Future minimum lease payments		7,020,749	6,587,316
Interest		(590,914)	(580,952)
Present value of minimum lease payments		<u>6,429,835</u>	<u>6,006,364</u>

**(b) Reconciliation of cash flows from financing activities**

Repayment of finance lease liabilities	(1,736,558)	(1,132,529)
Proceeds of loans from Directors	1,174,840	342,665
Proceeds of loans from parent entity	1,550,000	-
Net cash from financing activities	<u>988,282</u>	<u>(789,863)</u>



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	2018 \$	2017 \$
<b>14. EMPLOYEE BENEFITS</b>		
<b>Current</b>		
Liability for annual leave	167,520	109,145
Liability for long service leave	45,752	-
	<u>213,272</u>	<u>109,145</u>
<b>15. PROVISIONS</b>		
<b>Current</b>		
Make-good provision	22,567	21,464
	<u>22,567</u>	<u>21,464</u>
<i>Movements in provisions</i>		
Balance at beginning of the year	21,464	19,647
Additional provisions charged	1,103	1,817
Balance at end of the year	<u>22,567</u>	<u>21,464</u>

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	2018 \$	2017 \$
<b>16. CAPITAL AND RESERVES</b>		
<b>(a) Share capital</b>		
1,000 Ordinary shares - fully paid (2017: 1,000)	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<i>Ordinary shares</i>		
Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.		
<b>(b) Dividends</b>		
No dividends were paid or declared by the Group during or since the end of the financial year (2017: Nil).		
<b>(c) Dividend franking account</b>		
Franking credits available to shareholders of Wiseway Logistics Pty Limited for subsequent financial years based on a tax rate of 30% (2017: 30%)	1,247,585	445,790
	<u>1,247,585</u>	<u>445,790</u>
<b>(d) Capital management</b>		
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, maintain sufficient financial flexibility to pursue its growth objectives and maintain an optimal capital structure to reduce the cost of capital.		
<b>17. EARNINGS PER SHARE</b>		
<b>(a) Basic earnings per share</b>		
The calculation of basic earnings per share has been based on profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.		
Profit attributable to ordinary shareholders	1,162,232	928,320
	<u>1,162,232</u>	<u>928,320</u>
	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Weighted-average number of ordinary shares	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<b>(b) Diluted earnings per share</b>		
The calculation of basic earnings per share has been based on profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. There has been no dilutive potential ordinary shares in 2018 and 2017.		

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**18. ACQUISITION OF SUBSIDIARY**

On 17 January 2018, the Group acquired 51% of the issued capital of Four Seasons Cargo Pty Limited, an Australia based cargo sales agent who co-ordinates and facilitates incoming and outgoing shipments for consideration of \$50,000.

The recognised amounts of assets acquired and liabilities assumed at the date of acquisition was \$161,284. A bargain purchase of \$32,255 and NCI of \$41,463 arising from the acquisition has been recognised. The Group incurred no acquisition-related costs.

**19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT**

**(a) Accounting classification and fair values**

The Group does not have any financial assets and financial liabilities measured at fair value.

	2018	2017
	\$	\$
<i>Financial assets not measured at fair value</i>		
Cash and cash equivalents	1,288,015	416,165
Trade and other receivables	7,224,307	4,852,168
Financial assets	735,029	735,029
	<u>9,247,351</u>	<u>6,003,362</u>
<i>Financial liabilities not measured at fair value</i>		
Finance lease liabilities	6,429,835	6,006,364
Trade payables	7,330,195	6,801,505
	<u>13,760,030</u>	<u>12,807,869</u>

**(b) Financial risk management**

The Group has exposure to the following risks arising from financial instruments:

- credit risk (ii)
- liquidity risk (iii)
- market risk (iv)

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**19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**(b) Financial risk management (continued)**

*(i) Risk management framework*

The Group's directors have an overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

*(ii) Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's directors have established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. A customer is required to have eight prepaid transactions before they are able to apply for a credit account. Customers must also pass reference checks and provide a copy of their passport to qualify for a credit account. New customer applications require approval from the CFO. Large corporate clients are provided a payment term of a maximum of 30 days from the end of the month, whereas individual customers are provided a 6 day payment term.

At 30 June 2018, the aging of trade and other receivables that were not impaired was as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Neither past due nor impaired	6,049,025	3,276,536
Past due 31-90 days	730,678	145,491
Past due 91+ days	444,604	501,206
	<u>7,224,307</u>	<u>3,923,233</u>

*Cash and cash equivalents*

The Group held cash and cash equivalents of \$1,288,015 at 30 June 2018 (2017: \$416,165). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa3, based on Moody's ratings.

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**19. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)**

**(b) Financial risk management (continued)**

*(iii) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Non-derivative financial liabilities are as follows:</i>		
Finance lease liabilities		
Less than one year	1,984,413	1,616,593
Between one and five years	4,445,422	4,389,771
More than five years	-	-
	<u>6,429,835</u>	<u>6,006,364</u>
Trade and other payables		
Less than one year	6,328,850	5,825,296
Between one and five years	-	-
More than five years	-	-
	<u>6,328,850</u>	<u>5,825,296</u>
Loans and borrowings		
Less than one year	1,795,905	-
Between one and five years	-	-
More than five years	-	-
	<u>1,795,905</u>	<u>-</u>
	<u><u>14,554,590</u></u>	<u><u>11,831,660</u></u>

*(iv) Market risk*

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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**20. COMMITMENTS AND CONTINGENCIES**

**(a) Leases as lessee**

The Group leases a number of warehouse facilities under operating leases. The leases typically run for a period of 1 - 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. The Group is not aware of any restrictions from entering into any sub-lease arrangements.

The warehouse leases were entered into many years ago as combined leases of land and buildings. The Group determined that the land and building elements of the warehouse leases are operating leases. The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Group does not have an interest in the residual value of the land and buildings. As a result, it was determined that substantially all of the risks and rewards of the land and buildings are with the landlord.

*(i) Future minimum lease payments*

At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows:

	2018 \$	2017 \$
Payable within one year	1,703,556	246,629
Payable later than one year but not later than five years	9,073,504	2,069,923
Payable later than five years	4,484,274	1,247,400
	<u>15,261,334</u>	<u>3,563,952</u>
<i>(ii) Amounts recognised as profit or loss</i>		
Lease expense	<u>1,524,737</u>	<u>1,337,687</u>

Operating leases related to rented premises. Leases have various terms, including some options to extend the terms.

**(b) Contingencies**

Bank guarantees	735,029	735,029
	<u>735,029</u>	<u>735,029</u>

The bank guarantees relate to term deposits (refer to Note 10) provided as security for operating leases for rented premises.

**(c) Guarantor for related party**

The Company is a guarantor for a loan facility of RFT Investment Management Pty Limited, an entity controlled by Roger and Florence Tong, from Westpac Banking Corporation. The borrowings, which at 30 June 2018 amounted to \$7,587,000, were used by the related party for the acquisition of properties which are leased to the Group for use in the ordinary course of business.

The directors continually assess the likelihood of the guarantee being called on by the lender and are confident that this is unlikely given the servicingability of the related party.

The Company and the related party are currently in negotiations with the lender for the release of the Company's guarantee and are confident of achieving same.

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**21. RECLASSIFICATION OF COMPARATIVES**

During the year ended 30 June 2018, the Group identified that motor vehicle expenses should be classified as a direct expense for providing freight forwarding services, rather than an operating expense. Accordingly, the items in the financial statements have been reclassified for the prior period, being the year ended 30 June 2017. The following tables summarise the impact on the financial statements for that prior period.

**Consolidated statement of profit or loss - 2017**

	Impact of reclassification		
	As previously reported	Adjustments	As reclassified
Direct expenses	53,438,583	1,656,481	55,095,064
Motor vehicle costs	1,656,481	(1,656,481)	-

There is no impact on the Group's profit, comprehensive income, basic earnings per share or cash flows for the years ended 30 June 2017 and 30 June 2018.

**22. EVENTS AFTER THE REPORTING PERIOD**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**23. SEGMENT REPORTING**

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The directors (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being the provision of freight forwarding services. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

**24. AUDITOR'S REMUNERATION**

	2018 \$	2017 \$
<b>Audit services - KPMG</b>		
Audit and review of financial reports	126,000	76,000
<b>Other services - KPMG</b>		
Advisory services	33,000	-
	<u>159,000</u>	<u>76,000</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**25. PARENT ENTITY INFORMATION**

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Wiseway Logistics Pty Limited.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Statement of profit or loss and other comprehensive income</i>		
Profit after income tax	1,137,522	928,320
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<u><u>1,137,522</u></u>	<u><u>928,320</u></u>
<i>Statement of financial position</i>		
<i>Assets</i>		
Total current assets	8,429,755	5,268,333
Total non-current assets	9,371,064	8,391,211
<b>Total assets</b>	<u><u>17,800,819</u></u>	<u><u>13,659,544</u></u>
<i>Liabilities</i>		
Total current liabilities	(11,588,365)	(8,689,683)
Total non-current liabilities	(4,445,422)	(4,389,771)
<b>Total liabilities</b>	<u><u>(16,033,787)</u></u>	<u><u>(13,079,454)</u></u>
<b>Total net assets</b>	<u><u>1,767,032</u></u>	<u><u>580,090</u></u>
<i>Equity</i>		
Share capital	1,000	1,000
Retained earnings	1,766,032	579,090
<b>Total equity</b>	<u><u>1,767,032</u></u>	<u><u>580,090</u></u>

The parent entity had not entered into a deed of cross guarantee as at 30 June 2018 or 30 June 2017.

**26. GROUP ENTITIES**

Set out below is a list of subsidiaries of the Group.

	<b>Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2018</b>	<b>2017</b>
<i>Parent entity</i>			
Wiseway Logistics Pty Limited	Australia		
<i>Subsidiaries</i>			
Wiseway Perishables Pty Limited	Australia	100%	100%
Four Seasons Cargo Pty Limited	Australia	51%	0%



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**27. RELATED PARTY DISCLOSURES**

**(a) Parent and ultimate controlling party**

On 16 March 2018, all of the share capital of the Company was acquired by Wiseway Group Limited as part of a group restructure. All of the shareholders of the Company at that time received shares in Wiseway Group Limited in the same proportion to their original shareholding in the Company.

As at 30 June 2018, the Group had drawn loans from Wiseway Group Limited totalling \$1,550,000. These loans are short-term in nature, being unsecured, repayable on demand and interest-free.

**(b) Key management personnel compensation**

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include the directors, executive and non-executive, as well as certain other senior executives.

The key management personnel compensation for the year ended 30 June 2018 comprising of short-term employee benefits, post-employment benefits, other long-term benefits and termination benefits was \$288,001 (2017: \$232,099).

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or joint control over these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

*Rental of premises*

RFT Investment Management Pty Limited, an entity controlled by Roger and Florence Tong, provided leased commercial premises to the Group on normal commercial terms and conditions. During the year ended 30 June 2018, the amount paid to this related entity by the Group was \$1,120,476 (2017: \$1,003,259). The premises were acquired by the related party through a facility guaranteed by the Group, as described in Note 20(b).

*Loans from directors*

The Group has historically provided short-term loans to Roger and Florence Tong. The loans are short-term in nature, being unsecured, repayable on demand and interest-free. As at 30 June 2018, the outstanding balance payable to the directors was \$245,905 (2017: \$928,935 owed by the directors).

## WISEWAY LOGISTICS PTY LTD

### DIRECTORS' DECLARATION

In the opinion of the Directors of Wiseway Logistics Pty Ltd (the "Company"):

- (a) the consolidated financial statements and notes that are set out on pages 6 to 33, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the financial year ended on the date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with resolution of the Directors:



Roger Tong  
Director



Florence Tong  
Director

Dated at Sydney this 14th day of September 2018



## Independent Auditor's Report

To the shareholders of Wiseway Logistics Pty Limited

### Opinion

We have audited the **Financial Report** of Wiseway Logistics Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group and Company's** financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



## Independent Auditor's Report (continued)

To the shareholders of Wiseway Logistics Pty Limited

### Other Information

Other Information is financial and non-financial information in Wiseway Logistics Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.



## Independent Auditor's Report (continued)

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To the shareholders of Wiseway Logistics Pty Limited

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

Chris Allenby

Partner

Sydney

14 September 2018