

WISEWAY LOGISTICS PTY LTD
ABN 47 123 556 561

ANNUAL FINANCIAL REPORT

30 JUNE 2016

WISEWAY LOGISTICS PTY LTD
ABN 47 123 556 561

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of Wiseway Logistics Pty Ltd (the "Company") for the financial year ended 30 June 2016 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 Company 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 Company during the financial year.

Review of operations

The profit for the Company for the financial year after providing for income tax amounted to \$40,203.

Significant changes in the state of affairs

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

Environmental regulation

The Company's operations are not subject to significant environmental regulations under both Commonwealth and State legislation. However, the Directors believe that the Company 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 Company 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.

Likely developments and expected results of operations

Further information about likely developments in the operations of the Company 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 Company.

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.

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DIRECTORS' REPORT

Matters subsequent to the end of the financial year

Subsequent to 30 June 2016, the Directors repaid the loan of \$1,271,600 owing by them to the Company as at that date. Thereafter, the Directors provided further funds to the Company as an unsecured, repayable on demand, interest free loans up to an amount of \$245,905 as at 30 June 2018.

On 17 January 2018, the Company acquired 51% of the issued capital of Four Seasons Cargo Pty Limited, an Australia based cargo sales agent who coordinates and facilitates incoming and outgoing shipments.

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.

During May to September 2018, the Company received loan funds totalling \$3,082,000 from its new parent entity, Wiseway Group Limited, through capital raisings conducted by that entity.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company 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 2016.

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



Roger Tong
Director



Florence Tong
Director

Dated at Sydney this 18th September 2018



Lead Auditor's Independence Declaration

To the Directors of Wiseway Logistics Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Wiseway Logistics Pty Ltd for the financial year ended 30 June 2016 there have been no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Chris Allenby'.

Chris Allenby

Partner

Sydney

18 September 2018

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$
Revenue	4	43,497,445
Direct expenses		<u>(38,784,026)</u>
Gross profit		<u>4,713,419</u>
Expenses		
Employee benefits expenses	5(a)	(2,779,297)
Occupancy expenses		(543,689)
Depreciation expense	5(b)	(641,264)
Administration and other expenses		<u>(419,280)</u>
Results from operating activities		<u>329,889</u>
Net finance costs	6	<u>(212,226)</u>
Profit before income tax		<u>117,663</u>
Income tax expense	7(a)	<u>(77,460)</u>
Profit for the year		40,203
Other comprehensive income		<u>-</u>
Total comprehensive income for the year		<u><u>40,203</u></u>

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

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$
Assets		
Current assets		
Cash and cash equivalents	8(a)	95,631
Trade and other receivables	9	2,702,436
Total current assets		<u>2,798,067</u>
Non-current assets		
Financial assets	10	433,321
Property, plant and equipment	11	3,907,044
Deferred tax assets	7(b)	23,549
Total non-current assets		<u>4,363,914</u>
Total assets		<u>7,161,981</u>
Liabilities		
Current liabilities		
Trade and other payables	12	3,907,348
Borrowings	13	804,483
Employee benefits	14	58,845
Provisions	15	19,647
Current tax liabilities	7(c)	91,856
Total current liabilities		<u>4,882,179</u>
Non-current liabilities		
Borrowings	13	2,628,032
Total non-current liabilities		<u>2,628,032</u>
Total liabilities		<u>7,510,211</u>
Net liabilities		<u>(348,230)</u>
Equity		
Share capital	16	1,000
Accumulated losses		(349,230)
Total equity		<u>(348,230)</u>

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

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Ordinary shares \$	Accumulated losses \$	Total \$
Balance at 1 July 2015	1,000	(389,433)	(388,433)
Comprehensive income			
Profit for the year	-	40,203	40,203
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>40,203</u>	<u>40,203</u>
Transactions with owners, in capacity as owners			
Shares issued during the year	-	-	-
Dividends paid	-	-	-
Total transactions with the owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2016	<u><u>1,000</u></u>	<u><u>(349,230)</u></u>	<u><u>(348,230)</u></u>

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	2016
Note	\$
Cash flows from operating activities	
Cash receipts from customers	47,513,305
Cash paid to suppliers and employees	<u>(45,599,062)</u>
Cash generated from operations	1,914,243
Interest received	6,804
Interest paid	(219,030)
Income taxes paid	7(c) <u>(26,918)</u>
Net cash flows from operating activities	8(b) <u>1,675,100</u>
Cash flows from investing activities	
Payments for property, plant and equipment	(160,097)
Payments for investments in term deposits	<u>(253,086)</u>
Net cash flows used in investing activities	<u>(413,183)</u>
Cash flows from financing activities	
Repayment of finance lease liabilities	(565,387)
Payments for loans to Directors	<u>(871,600)</u>
Net cash flows from financing activities	<u>(1,436,987)</u>
Net increase in cash and cash equivalents	(175,070)
Cash and cash equivalents at beginning of financial year	<u>270,700</u>
Cash and cash equivalents at end of financial year	8(a) <u>95,631</u>

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

WISEWAY LOGISTICS PTY LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The financial statements are prepared for Wiseway Logistics Pty Ltd (the "Company") for the year ended 30 June 2016. The address of the Company's registered office is 39 - 43 Warren Avenue, Bankstown NSW 2200. The Company is a for-profit entity and is primarily involved in the provision of freight forwarding services.

2. BASIS OF PREPARATION

The Company has prepared special purpose financial statements for the year ended 30 June 2016 for the purpose of meeting the listing requirements of the Australian Securities Exchange ("ASX").

The figures for the year ended 30 June 2016, as shown in these financial statements, were previously reported as comparative information in the Company's first statutory annual financial statements for the year 30 June 2017, which were approved and signed by the Directors on 24 May 2018. The Company was not required to prepare annual financial statements for the year ended 30 June 2016, in accordance with the *Corporations Act 2001*, as it did not meet the statutory definitions at that time.

(a) Statement of compliance

The Company is a for-profit, private sector entity. With the exception of presenting comparatives under AASB 101 *Presentation of Financial Statements*, the special purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements ("AASB - RDRs") adopted by the Australian Accounting Standards Board ("AASB"). □

(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 Company'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 Company'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 Company 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2. BASIS OF PREPARATION (CONTINUED)

(f) Going concern

The financial report has been prepared on the going concern basis of accounting, which assumes the Company 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 2016, the Company had a working capital deficiency of \$2,084,111 and a net asset deficiency of \$348,230. As at the end of the most recent balance date, being 30 June 2018, the Company had a working capital deficiency of \$3,159,021, whilst net assets had increased to \$1,766,621.

The ability of the Company 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.

The Company made a profit after tax of \$928,320 in 2017 and \$1,162,232 in 2018, and generated positive cashflows from operations, and has secured funding from shareholders. Further, the parent company, Wiseway Group Limited and its majority shareholders, Roger and Florence Tong, have written to the Company stating that they will continue to provide ongoing financial support to the Company 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 Company 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 Company's financial statements should be prepared on a going concern basis.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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 Company.

(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.

<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.

(b) Revenue

Revenue is measured at the fair value of the consideration received or receivable. The Company 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 Company's activities as described below. The Company 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(c) 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 company 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 Company's cash management.

(iv) 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(d) 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 Company 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 Company 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 Company 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.

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).

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 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(e) Employee benefits

A provision is made for the Company'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 Company'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.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company 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.

(g) 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.

(h) 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Leases

(i) Determining whether an arrangement contains a lease

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

At inception or on reassessment of an arrangement that contains a lease, the Company 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 Company 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 Company's incremental borrowing rate.

Assets held by the Company under leases, which transfer to the Company 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 Company'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.

(j) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(j) Tax (continued)

(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.

(k) Segment reporting

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are regularly reviewed by the Company'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.

(l) New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. □

(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 Company has assessed the new standard's impact and does not anticipate a significant impact on the Company's financial report on initial application. The Company'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 Company 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 Company will not apply the requirements of AASB 15 to the comparative period presented.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(I) New Standards and interpretations not yet adopted (continued)

(iii) 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 Company has assessed the new standard's impact and do not anticipate a significant impact on the Company'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 Company does not hold any such financial liabilities.
2. The Company has no financial assets other than receivables balances which are measured at amortised cost and therefore not impacted.
3. The Company has not entered into any hedges.

(ii) 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 Company has assessed the new standard's impact and does not anticipate a significant impact on the Company's financial report on initial application.

As a lessee, the Company 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 Company 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 Company is assessing the potential impact of using these practical expedients. The Company 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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NOTES TO THE FINANCIAL STATEMENTS
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	2016 \$
4. REVENUE	
Revenue from services rendered	43,497,445
	<u>43,497,445</u>
5. EXPENSES	
Profit before income tax includes the following specific expenses:	
(a) Employee benefits expenses	
Salaries and wages	1,792,354
Contractor costs	687,944
Contributions to superannuation funds	169,357
Increase in annual leave	58,845
Other expenses	70,797
	<u>2,779,297</u>
(b) Depreciation expense	
Depreciation (refer to Note 11)	641,264
	<u>641,264</u>
6. NET FINANCE COSTS	
Interest and finance charges paid	219,030
Interest received	(6,804)
Total net finance costs	<u>212,226</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2016
\$

7. INCOME TAX

(a) Income tax expense

Income tax benefit 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 benefit comprise:

Current tax	101,009
Deferred tax	<u>(23,549)</u>
	<u>77,460</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>117,663</u>
Tax using the Company's domestic Australian tax rate of 30%	35,299
Non-deductible expenses	<u>42,161</u>
Income tax expense	<u>77,460</u>

(b) Deferred tax assets

The balance comprises temporary differences attributable to:

Provisions	5,895
Employee benefits	<u>17,654</u>
	<u>23,549</u>

(c) Current tax liabilities

Opening balance at the beginning of the year	17,766
Current tax expense	101,009
Income tax paid	<u>(26,919)</u>
Closing balance at the end of the year	<u>91,856</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

		2016 \$
8. CASH AND CASH EQUIVALENTS		
(a) Cash and cash equivalents in statement of cash flows		
Current		
Bank balances		95,631
		<u>95,631</u>
 (b) Reconciliation of cash flows from operating activities	Note	
Profit for year		40,203
<i>Adjustments for:</i>		
Depreciation expense	5(b)	641,264
Income tax expense	7(a)	<u>77,460</u>
Operating profit before changes in working capital and provisions		758,927
Change in trade and other receivables		(402,415)
Change in trade and other payables		1,267,016
Change in employee benefits		58,846
Change in provisions		<u>19,645</u>
Net cash generated from operations		1,702,019
Income taxes paid	7(c)	(26,918)
Net cash from operating activities		<u><u>1,675,100</u></u>
 9. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables		1,331,953
Other receivables		98,883
Loans to directors		<u>1,271,600</u>
		<u><u>2,702,436</u></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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2016
\$

10. FINANCIAL ASSETS

Non-current

Term deposits

433,321

433,321

The Company invests in bank term deposits as part of security arrangements associated with leasing of premises (refer to Note 17(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
COST			
Balance at 1 July 2015	914,519	1,581,180	2,495,699
Additions	62,843	2,523,790	2,586,633
Disposals	<u>(21,596)</u>	<u>-</u>	<u>(21,596)</u>
Balance at 30 June 2016	<u>955,766</u>	<u>4,104,970</u>	<u>5,060,736</u>
ACCUMULATED DEPRECIATION			
Balance at 1 July 2015	(30,309)	(482,119)	(512,428)
Depreciation for the year	<u>(81,126)</u>	<u>(560,138)</u>	<u>(641,264)</u>
Balance at 30 June 2016	<u>(111,435)</u>	<u>(1,042,257)</u>	<u>(1,153,692)</u>
CARRYING AMOUNT			
At 1 July 2015	<u>884,210</u>	<u>1,099,061</u>	<u>1,983,271</u>
At 30 June 2016	<u>844,331</u>	<u>3,062,713</u>	<u>3,907,044</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$
12. TRADE AND OTHER PAYABLES	
Current	
Trade and other payables	3,361,501
Accrued expenses	545,847
	<u>3,907,348</u>
All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.	
13. BORROWINGS	
Current	
Finance lease liability	804,483
	<u>804,483</u>
Non-current	
Finance lease liability	2,628,032
	<u>2,628,032</u>
<i>Finance lease liabilities are payable as follows:</i>	
Less than one year	
Future minimum lease payments	929,603
Interest	(125,120)
Present value of minimum lease payments	<u>804,483</u>
Between one and five years	
Future minimum lease payments	2,820,045
Interest	(192,013)
Present value of minimum lease payments	<u>2,628,032</u>
More than five years	
Future minimum lease payments	-
Interest	-
Present value of minimum lease payments	<u>-</u>
Total	
Future minimum lease payments	3,749,648
Interest	(317,133)
Present value of minimum lease payments	<u>3,432,515</u>
14. EMPLOYEE BENEFITS	
Current	
Liability for annual leave	58,845
	<u>58,845</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$
15. PROVISIONS	
Current	
Make-good provision	19,647
	<u>19,647</u>
 <i>Movements in make-good provision</i>	
Balance at beginning of the year	-
Additional provisions charged	19,647
Balance at end of the year	<u>19,647</u>
 16. CONTRIBUTED EQUITY	
(a) Share capital	
1,000 Ordinary shares - fully paid	1,000
	<u>1,000</u>
 <i>Ordinary shares</i>	
Ordinary shares participate in dividends and the proceeds on winding up of the Company 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) Dividends	
No dividends were paid or declared by the Company during or since the end of the financial year.	
 (c) Dividend franking account	
Franking credits available to shareholders of Wiseway Logistics Pty Limited for subsequent financial years based on a tax rate of 30%	
	<u>31,641</u>
 (d) Capital management	
The Company'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.	

WISEWAY LOGISTICS PTY LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

17. COMMITMENTS AND CONTINGENCIES

(a) Leases as lessee

The Company 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 Company 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 Company 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 Company 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:

	2016
	\$
Payable within one year	148,509
Payable later than one year but not later than five years	1,032,398
Payable later than five years	66,663
	<u>1,247,570</u>

(ii) Amounts recognised as profit or loss

Lease expense	<u>326,379</u>
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Operating leases related to rented premises. Leases have various terms, including some options to extend the terms.

(b) Contingencies

Bank guarantees	433,321
	<u>433,321</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 the date of this report amount 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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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2016, the Directors repaid the loan of \$1,271,600 owing by them to the Company as at that date. Thereafter, the Directors provided further funds to the Company as an unsecured, repayable on demand, interest free loans up to an amount of \$245,905 as at 30 June 2018.

On 17 January 2018, the Company acquired 51% of the issued capital of Four Seasons Cargo Pty Limited, an Australia based cargo sales agent who coordinates and facilitates incoming and outgoing shipments.

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.

During May to September 2018, the Company received loan funds totalling \$3,082,000 from its new parent entity, Wiseway Group Limited, through capital raisings conducted by that entity.

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

19. SEGMENT REPORTING

The Company manages its operations as a single business operation and there are no parts of the Company that qualify as operating segments under AASB 8 *Operating Segments*. The Director (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Company on an integrated basis only and accordingly, the Company 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

20. RELATED PARTY DISCLOSURES

(a) 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 2016 was \$288,000.

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 Company 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 Company on normal commercial terms and conditions. During the year ended 30 June 2016, the amount paid to this related entity by the Company was \$326,379. The premises were acquired by the related party through a facility guaranteed by the Company, as described in Note 17(c).

Loans from directors

The Company 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 2016, the outstanding balance payable by the Directors was \$1,271,600.

WISEWAY LOGISTICS PTY LTD

DIRECTOR'S DECLARATION

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

- (a) the financial statements and notes that are set out on pages 6 to 27:
 - (i) present fairly the financial position of the Company as at 30 June 2016 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 2(a); and
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 2 and 3;
- (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) in respect of the year ended 30 June 2016 the Company has:
 - (i) kept such accounting records as correctly record and explain its transactions and financial position;
 - (ii) kept its accounting records that financial statements of the Company that are presented fairly can be prepared from time to time; and
 - (iii) kept its accounting records in accordance with the *Corporations Act 2001* so that the financial statements of the Company can be conveniently and properly audited.

Signed in accordance with resolution of the Directors:



Roger Tong
Director



Florence Tong
Director

Dated at Sydney this 18th September 2018



Independent audit report to the Directors of Wiseway Logistics Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of Wiseway Logistics Pty Ltd (the “Company”), which comprises the statement of financial position as at 30 June 2016, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the Directors’ assertion statement.

Directors’ responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the special purpose financial report and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet their needs and is appropriate to meet the needs of the members. The Directors’ responsibility also includes such internal control as the Directors determine necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 2 to the financial statements so as to present a view which is consistent with our understanding of the Company’s financial position, and of its performance and cash flows.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.



Independent audit report to the Directors of Wiseway Logistics Pty Ltd (continued)

Auditor's opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Wiseway Logistics Pty Ltd as of 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Notes 2 and 3 to the financial statements.

Basis of accounting and restriction on use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist the Directors of Wiseway Logistics Pty Ltd to meet the listing requirements of the Australian Securities Exchange ("ASX"). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Directors of Wiseway Logistics Pty Ltd and should not be used by parties other than the Directors of Wiseway Logistics Pty Ltd. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the Directors of Wiseway Logistics Pty Ltd or for any other purpose than that for which it was prepared.

KPMG

KPMG
Sydney

18 September 2018