ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

airwork
HOLDINGS LIMITED

CONTENTS:

$15.5m
NET PROFIT AFTER TAXATION

15.5%
INCREASE OVER UNDERLYING PRIOR YEAR

14.0%
RETURN ON CAPITAL EMPLOYED

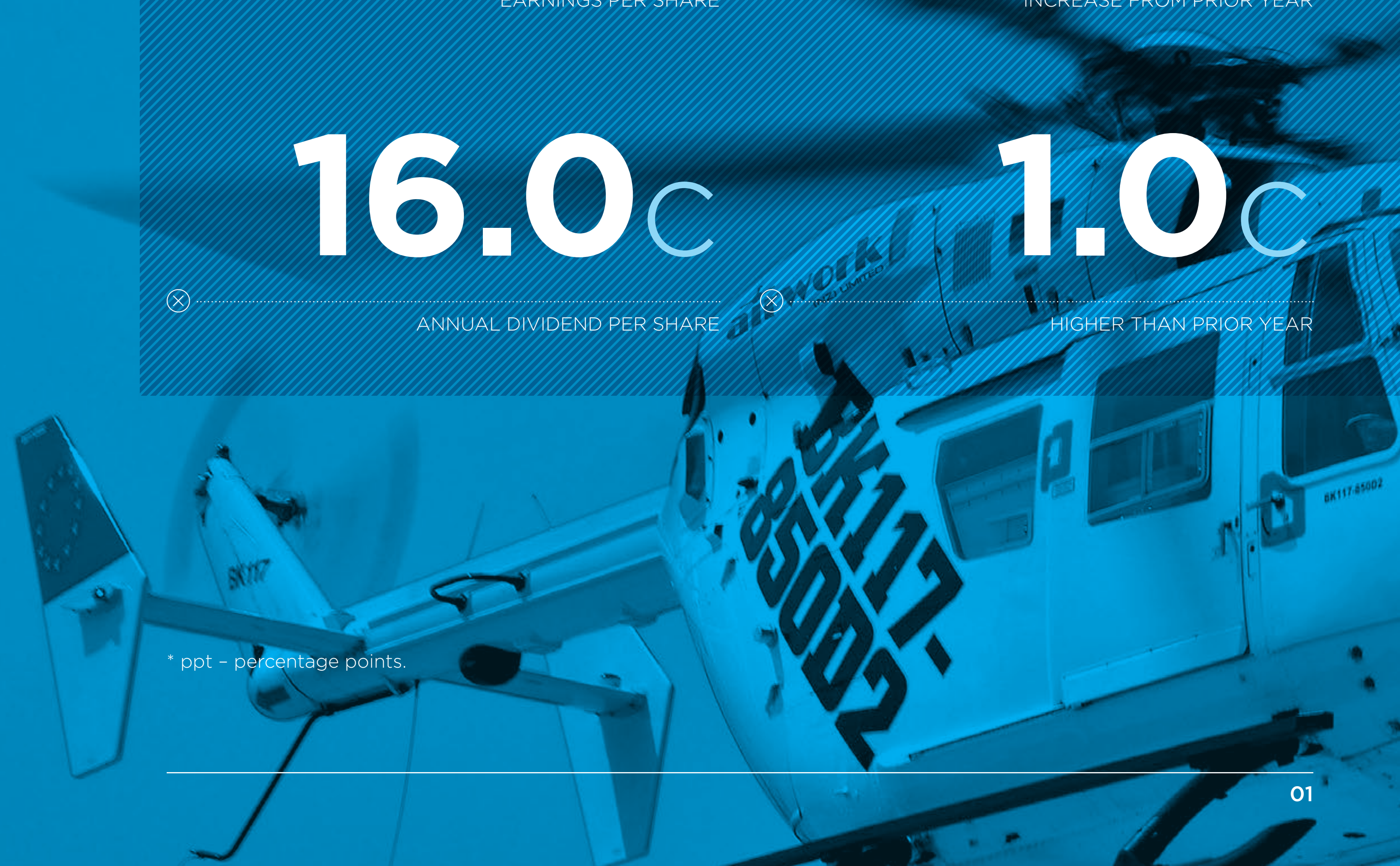
0.9ppt
ABOVE PRIOR YEAR

30.9c
EARNINGS PER SHARE

46.4%
INCREASE FROM PRIOR YEAR

16.0c
ANNUAL DIVIDEND PER SHARE

1.0c
HIGHER THAN PRIOR YEAR



* ppt – percentage points.

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Dear Shareholders

The Directors of Airwork Holdings Limited ("Airwork" or "the Company") are pleased to present to shareholders the annual report and financial statements for the year ended 30 June 2015.

Net profit after tax of $15.5 million was 58.2% ahead of the prior year's reported net profit after tax ($9.8 million), and 15.5% ahead of the prior year's underlying net profit after tax[1] ($13.5 million). Earnings per share of 30.9 cents was 46.4% ahead of the prior year.

The Directors are satisfied with the Company's performance, with the first full year as an NZX-listed company delivering a financial result exceeding expectations and continuing the strong growth from the prior year. The result highlights the benefits of the Company's diversified businesses and revenues streams.

The Helicopter Division delivered a strong result, with a 33% growth in helicopter revenues across the engineering and leasing businesses despite difficult conditions in certain markets. The Helicopter Division's performance was largely a function of organic growth in engineering and leasing revenues, a highlight being the expansion of the helicopter leasing fleet showing a net increase of six helicopters for the year.

It was a transitional year for the Fixed Wing business, with significant contract wins along with an expansion of the Boeing fleet positioning the business for sustainable long term earnings growth to commence in the 2016 financial year.

DIVIDEND

The Directors have declared a fully imputed final dividend of eight (8.0) cents per share, (payable on 9th October) making a total of 16.0 cents for the year, 1.0 cent per share ahead of the prior year.

BOARD

I would like to acknowledge the contributions from my fellow directors during the year, and look forward to our continued role providing strategic oversight and governance.

Chris Hunter resigned as a director at the completion of the Company's Annual General Meeting in October 2014. The Board is considering the need for a suitably qualified replacement to complement the Board's current skill base.

MANAGEMENT & STAFF

The capability of the executive team was further strengthened during the year with the creation of two new roles: General Manager Strategy & Planning and Chief Information Officer.

I would like to acknowledge the Board's appreciation of Chris Hart, the management team and the global Airwork team for their significant efforts and dedication during the past year. This is an exceptional result reflecting the very high standard of professionalism of the fine group of men and women working at Airwork, in what has been again a very busy and challenging year.

OUTLOOK

The Company expects positive performance and growth to continue in the 2016 financial year, barring, of course, unforeseen circumstances. While the Helicopter business will continue to focus on organic growth there are a number of challenges in the current market, particularly in the oil and gas industry. Strong growth is expected from the Fixed Wing Division arising from new contracts and fleet expansion as additional freighter aircraft are brought into operation to satisfy recently negotiated additional contracts.

In closing, I would like to welcome the investors who have joined the Airwork share register during the year, and to express my thanks to those shareholders who have continued to support the Company during the 2015 financial year.

Mike Daniel
Chairman
Airwork Holdings Limited

1 Underlying net profit after tax in a non-GAAP measure. It is determined based on reported net profit after tax adjusted for: aircraft and insurance settlement (being the receipt of insurance proceeds, revenue lost as a result of the aircraft incident, and direct and indirect costs incurred and avoided); IPO and listing costs; movement in fair value of derivative financial instruments; and the tax effect of these items. For the year ended 30 June 2015, there is no difference between reported net profit after tax and underlying net profit after tax.

CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 30 JUNE 2015

OPERATIONAL REVIEW

Airwork delivered a strong result for the 2015 financial year. The Helicopter Division has continued to grow strongly despite a difficult market, and the Fixed Wing Division is set to grow from 2016 and beyond after some significant contract wins and fleet expansion.

Compared to the prior year, underlying net profit after tax for the year ended 30 June 2015 grew by 15.5% ($2.1 million), on the back of revenue growth lead by the Helicopter Division:

	INCOME $000	EBITDA $000	EBIT $000	NPBT $000	NPAT $000
FY15 Reported results	**144,932**	**48,304**	**24,752**	**21,344**	**15,549**
FY14 Reported results	138,993	48,651	19,172	14,502	9,828
FY14 Significant items:					
• Aircraft incident and insurance settlement[1]	(10,229)	(8,254)	193	287	201
• IPO costs[2]	–	1,254	1,254	1,254	1,254
• Movement in fair value of derivatives[2]	–	–	–	3,107	2,175
FY14 adjusted for significant items	**128,764**	**41,651**	**20,619**	**19,150**	**13,458**
FY15 variance to FY14 adjusted for significant items	**16,168 F**	**6,653 F**	**4,133 F**	**2,194 F**	**2,091 F**

Notes:

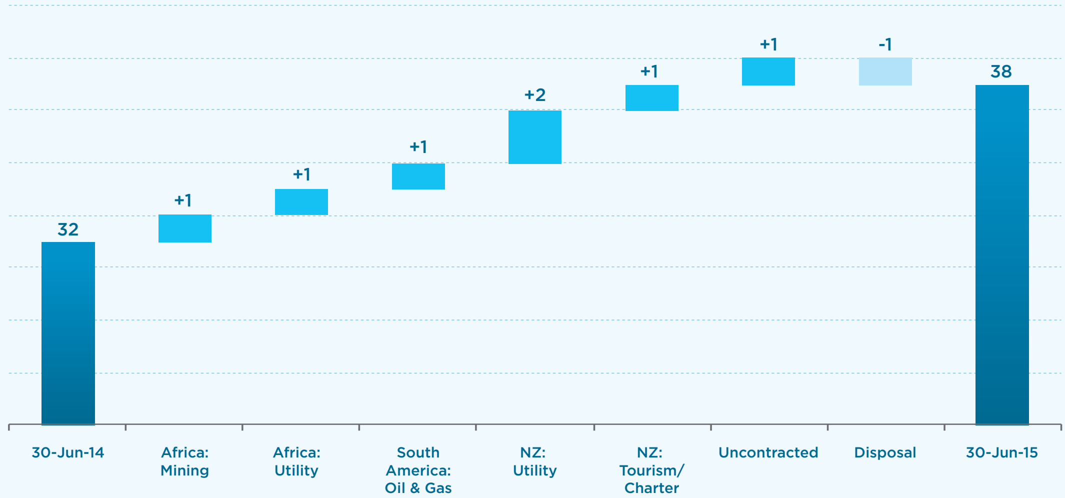
1. *Aircraft incident and insurance settlement includes the impact of: the receipt of insurance proceeds; revenue lost as a result of the aircraft incident; direct and indirect costs incurred and avoided; aircraft impairment; lease break costs; and the tax effect of these items*
   - *EBITDA: Operating profit before depreciation, amortisation and impairment expenses*
   - *EBIT: Operating profit after depreciation, amortisation and impairment expenses*
   - *NPBT: Operating profit before taxation*
   - *NPAT: Net profit after taxation*
   - *Net debt: Loans less cash and cash equivalents*
   - *Return on Capital Employed: EBIT divided by Average Total Equity and debt less cash and cash equivalents*
2. *FY14 is also adjusted for the impact of IPO costs and movements in the fair value of derivatives*

F Favourable to Prior Year

Strong revenue growth, up 12.5% ($16.2 million) from the prior year, continues to be driven by the Helicopter Division with the expansion of the leasing fleet, including certain short term high yield leases during the year, and continued engineering growth. This growth was achieved despite some weakness in the helicopter market, with innovative and cost effective solutions provided to our customers across a broad range of industries and geographies.

European Aviation Safety Agency (EASA) certification and certification for additional modifications from Transport Canada and the USA's Federal Aviation Authority (FAA) continued to have a positive impact on Helicopter Engineering revenue. Further certifications are expected to be added in the coming year.

The Helicopter Leasing operations added a net six helicopters to its fleet, with new customers coming from a variety of industries and regions:



The 2015 financial year was a transitional year for the Fixed Wing Division, with significant contract wins and the expansion of the Boeing aircraft leasing fleet expected to deliver earnings growth in the 2016 financial year and beyond. The Fixed Wing Division again delivered customers with an exceptional on-time performance in Australia and in New Zealand. However, a greater than expected reduction in Fixed Wing earnings in Australia due largely to reduced passenger and freight charter flying affected performance. Further, one aircraft repositioned from Australia to Europe did not earn any revenue in the second half of the year, but commenced on contract in July 2015.

During the year, the Fixed Wing Division expanded its Boeing aircraft fleet and customer base and reduced customer concentration in Australia and New Zealand.

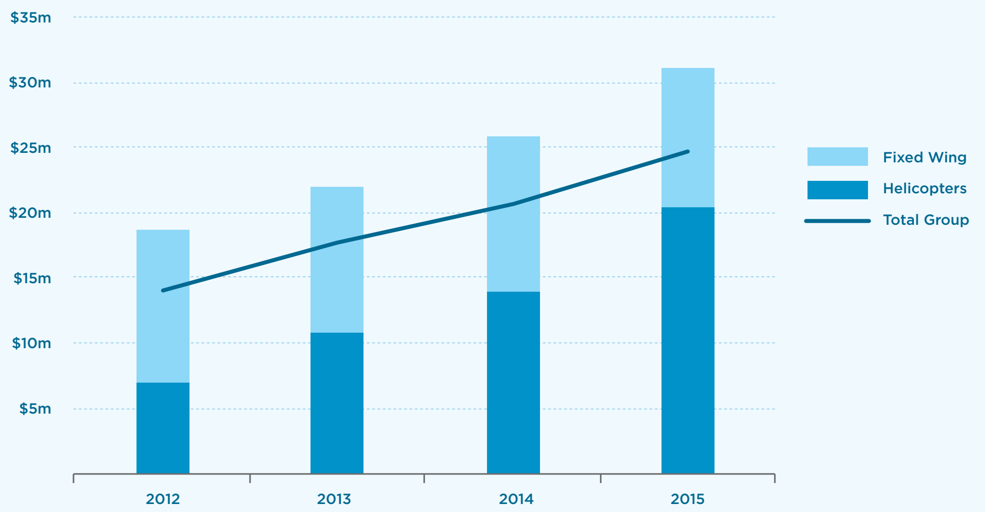
The Group's contract with Toll Priority in Australia was extended out to 2022, with two (possibly three) B737-300 freighter aircraft to be replaced with B737-400 freighter aircraft. Additionally, Airwork established Parcelair Limited, a joint venture with Freightways.

Airwork has a 10 year contract from Parcelair to provide three B737-400 aircraft to a combined national air freight operation, initially comprising Freightways and Express Couriers' air freight businesses.

The Group will continue to focus on its dry lease fleet and customer base and further refine activity to exit low yielding operations. The increased earnings impact of these Fixed Wing initiatives will be recognised from 2016 with earnings variability subject to the timing of aircraft deliveries, and exit and restructure costs.

Operating profit before depreciation, amortisation and impairment expenses of $24.8 million shows continued growth year on year compared to the historic underlying EBIT performance of the Group:

UNDERLYING EBIT



Underlying EBIT is a non GAAP measure; it is determined based on reported operating profit after depreciation, amortisation and impairment expenses adjusted for: aircraft and insurance settlement (being the receipt of insurance proceeds, revenue lost as a result of the aircraft incident, and direct and indirect costs incurred and avoided); impairment losses (other than PP&E held for sale); and IPO costs.

OPERATING CASH FLOWS, CAPEX AND NET DEBT

Operating cash flows generated by the business were strong, with underlying operating cash flows of $29.6 million compared to $26.7 million for the prior year.

UNDERLYING OPERATING CASH FLOWS	FY15 $000	FY14 $000	FY13 $000
Reported net cash flows from operating activities	40,025	44,606	22,500
Adjust for:			
• Insurance claim[1]	–	(8,254)	–
• IPO costs	–	1,254	–
• Maintenance capex[2]	(10,438)	(10,946)	(12,212)
Underlying operating cash flows	**29,587**	**26,660**	**10,288**

Notes:

1. *Insurance claim relates to the aircraft and insurance settlement in the 2014 financial year, comprising: the receipt of insurance proceeds, revenue lost as a result of the aircraft incident, and direct and indirect costs incurred and avoided.*
2. *The Group defines growth capex as investments in new assets or product development to increase the Group's earnings capacity; all other capex is defined as maintenance capex, including the regular maintenance of the Group's aircraft.*

Aggregate capital expenditure during the year totalled $84.6 million. Growth capex of $74.2 million for the year included: expansion of the Boeing freighter aircraft fleet ($52.9 million); expansion of the helicopter leasing fleet; further aviation certification development costs; development of the Group's helicopter engineering facility at Ardmore to increase capacity; and MRO, Finance and IT systems upgrades. Maintenance capex of $10.4 million was well contained across both the Fixed Wing ($6.5 million) and Helicopter ($3.7 million) businesses.

All debt facilities that matured during the 2015 financial year were refinanced with a continuing debt amortisation profile where applicable, and a new debt facility of up to US$76.5 million has been approved by the Company's bank to provide funding for the B737-400 freighter acquisition and conversion programme.

Net debt was $118.1 million at 30 June 2015, an increase of $65.7 million over the prior year ($52.4 million). Net debt increased by $6.7 million as a result of the impact of a lower New Zealand dollar and revaluation of USD denominated debt, however the main reason for the increase was due to high growth capex, especially with respect to the expansion of the Fixed Wing freighter aircraft leasing fleet.

Future earnings from the fleet expansion will reduce the initial increase in gearing required to fund the aircraft investment. Further improvements to underlying operating cash flows are expected to be realised from the 2016 financial year due to the long term B737-400 lease contracts.

THE YEAR AHEAD

Additional growth is expected from the Fixed Wing business in 2016 and 2017 from new contracts and fleet expansion. Throughout the 2016 financial year the business will focus on delivering the committed B737-400 aircraft to wet lease and dry lease customers, while identifying opportunities for the redeployment of the B737-300 freighter aircraft. The operating cost base will be realigned to the new fleet operations, and the business will expect to continue to deliver an exceptional service to its customers, with a world class on-time performance and focus on customers' core requirements.

The helicopter business will continue to focus largely on organic growth, although as previously mentioned the rate of growth may decline due to challenging market conditions, particularly in the oil and gas industry. Growth opportunities will come from further expansion of the Company's engineering certification, with the addition of further FAA certification expected to be confirmed during the year. Increased engineering and maintenance capacity will result from the expansion of the hangar facility at Ardmore Airport, due to be completed this year. The business will continue to partner with original equipment manufacturers while it is expected the helicopter leasing fleet will progressively expand in New Zealand and offshore, including in new and emerging markets, while focussing on market opportunities outside of oil and gas.

As the business continues to grow and diversify its customer base, the Group will pursue new opportunities that complement the existing business.

SUMMARY

Airwork delivered a strong result for the 2015 financial year, exceeding our growth targets and laying the foundations for continued growth into the future.

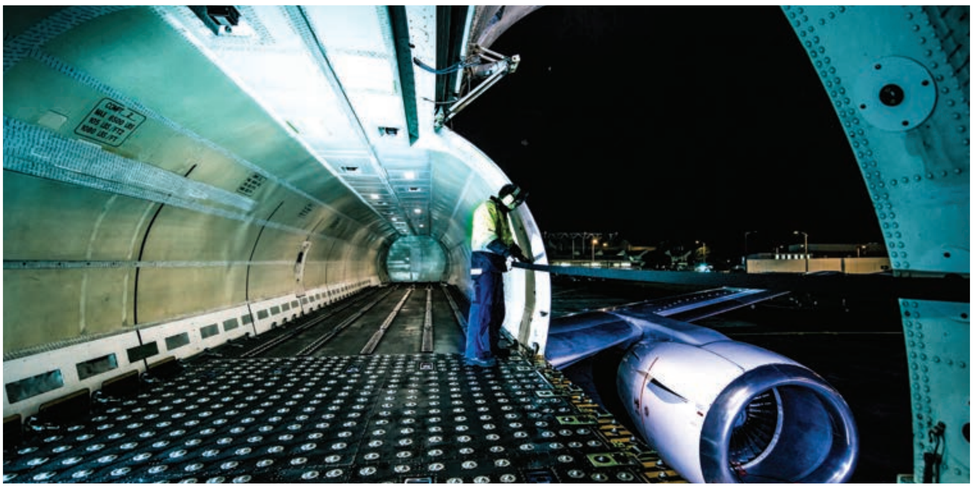
I would like to acknowledge the ongoing efforts and commitment of all Airwork staff who constantly aim to achieve and deliver outstanding results for our customers. We continue to strive to achieve our vision of being recognised creators of global aviation solutions.

Chris Hart
Chief Executive Officer
Airwork Holdings Limited

AIRWORK is a global aviation provider with the unique capability to provide a fully tailored aviation service from heavy maintenance and engineering through to operations and charter of aircraft ranging from Boeing 737s to light turbine helicopters.


ONE
Newstalk ZB
LION FOUNDATION


Blue Air



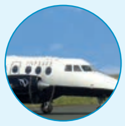
OUR FLEET

Airwork owns and/or operates 41 helicopters (excluding trading inventory) and 27 fixed wing aircraft as at 30 June 2015, as shown below.

HELICOPTER FLEET

	EUROCOPTER AS 355F1	EUROCOPTER / KAWASAKI BK-117	AGUSTA WESTLAND A109	EUROCOPTER AS 350 SERIES	MCDONNELL DOUGLAS 500	ROBINSON R44	BELL 427
							
Number Owned	10	22	–	3	1	–	–
Number Operated	–	1	1	–	–	2	1
Capacity	6 passengers	10 passengers	5 passengers	6 passengers	4 passengers	3 passengers	7 passengers
Cruise Speed	224kph	231kph	260kph	224kph	224kph	200kph	240kph
Max Range	627km	415km	532km	600km	425km	540km	600km

FIXED WING FLEET

	BOEING 737-300	BOEING 737-400	JET STREAM 32	FOKKER F27-500	FAIRCHILD SA227 METROLINER	PIPER PA31 CHIEFTAIN
						
Number Owned	4 freight 1 passenger	9 freight 3 passenger	–	–	2	1
Number Operated	–	–	2	2	3	–
Capacity	17,000kg 136 passengers	19,500kg 162 passengers	1,908kg 19 passengers	5,500kg	2,200kg 18 passengers	800kg 8 passengers
Cruise Speed	800kph	800kph	426kph	407kph	450kph	396kph
Max Range	6,000km	6,000km	1,875km	2,000km	2,750km	2,750km

Financial Statements

APPROVAL BY DIRECTORS

Dear Shareholders,

Your Directors have pleasure in presenting the Financial Statements for the year ended 30 June 2015.

The Directors have approved the Financial Statements of Airwork Holdings Limited for the year ended 30 June 2015 on pages 13 to 47.

Signed for and on behalf of the Board of Directors on 27 August 2015:

Michael W Daniel	Robin A Flannagan
CHAIRMAN	**DIRECTOR**

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 $000	2014 $000
Helicopter revenue		85,405	64,343
Fixed wing revenue		59,463	61,009
Other revenue		64	13
Total revenue		**144,932**	**125,365**
Other income		–	13,628
Total income	2	**144,932**	**138,993**
Operating expenses	3,4	(97,518)	(89,400)
IPO and listing costs		–	(1,254)
Equity accounted profits of joint venture and associate companies	15	890	312
Operating profit before depreciation, amortisation and impairment expenses		**48,304**	**48,651**
Depreciation, amortisation and impairment expenses	4	(23,552)	(29,479)
Operating profit after depreciation, amortisation and impairment expenses	2,4	**24,752**	**19,172**
Finance income	5	110	190
Finance expenses	5	(3,492)	(4,673)
Other (losses)/gains	6	(26)	(187)
Operating profit before taxation		**21,344**	**14,502**
Income tax expense	7	(5,795)	(4,674)
Net profit after taxation		**15,549**	**9,828**
Earnings per share			
Basic earnings per share (cents per share)	25	30.9	21.1
Diluted earnings per share (cents per share)	25	**30.1**	**20.8**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	2015 $000	2014 $000
Net profit for the year as per Income Statement	15,549	9,828
Other comprehensive income – items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	4,465	(2,569)
(Loss)/gain on cash flow hedges	(1,168)	(309)
Income tax credit/(expense) on other comprehensive income	327	87
Total comprehensive income for the year	**19,173**	**7,037**

The accompanying Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these Financial Statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	SHARE CAPITAL $000	RETAINED EARNINGS $000	SHARE BASED PAYMENT RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	HEDGING RESERVE $000	TOTAL EQUITY $000
As at 1 July 2013		11,200	58,221	–	(633)	(6)	68,782
Net profit for the year		–	9,828	–	–	–	9,828
Other comprehensive loss		–	–	–	(2,569)	(222)	(2,791)
Total comprehensive income/(loss) for the year		**–**	**9,828**	**–**	**(2,569)**	**(222)**	**7,037**
Dividends paid to shareholders	26	–	(6,708)	–	–	–	(6,708)
Contribution by new shareholders from the issue of new share capital	23	37,500	–	–	–	–	37,500
Repurchase of share capital	23	(17,500)	–	–	–	–	(17,500)
IPO and listing costs charged against equity	23	(495)	–	–	–	–	(495)
Movement in share based payment reserve	24	–	–	149	–	–	149
As at 30 June 2014		**30,705**	**61,341**	**149**	**(3,202)**	**(228)**	**88,765**
Net profit for the year		–	15,549	–	–	–	15,549
Other comprehensive income/(loss)		–	–	–	4,465	(841)	3,624
Total comprehensive income/(loss) for the year		**–**	**15,549**	**–**	**4,465**	**(841)**	**19,173**
Dividends paid to shareholders	26	–	(8,039)	–	–	–	(8,039)
Movement in share based payment reserve	24	–	–	280	–	–	280
As at 30 June 2015		**30,705**	**68,851**	**429**	**1,263**	**(1,069)**	**100,179**

The accompanying Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these Financial Statements

BALANCE SHEET

AS AT 30 JUNE 2015

	NOTES	2015 $000	2014 $000
ASSETS			
Current assets			
Cash and cash equivalents	8	3,220	2,434
Accounts receivable	9	20,398	12,965
Income tax receivable		384	131
Inventory and work in progress	11	29,095	27,690
Other assets	12	1,603	1,358
		54,700	**44,578**
Non current assets			
Property, plant and equipment	13	206,836	128,163
Intangible assets	14	2,626	2,526
Investments in associate and joint venture companies	15	4,834	3,944
Other assets	12	–	749
Deferred tax asset	22	4,236	4,746
		218,532	**140,128**
Total assets		**273,232**	**184,706**
LIABILITIES			
Current liabilities			
Loans	17	8,513	13,546
Accounts payable	18	16,865	10,977
Income tax payable		4,625	108
Provision for employee entitlements	19	5,839	4,667
Derivative financial instruments (at fair value)	20	844	–
Other liabilities	21	15,181	12,819
		51,867	**42,117**
Non current liabilities			
Loans	17	112,829	41,248
Provision for employee entitlements	19	109	126
Derivative financial instruments (at fair value)	20	644	317
Other liabilities	21	3,890	4,479
Deferred tax liability	22	3,714	7,654
		121,186	**53,824**
Total liabilities		**173,053**	**95,941**
NET ASSETS		**100,179**	**88,765**
EQUITY			
Share capital	23	30,705	30,705
Retained earnings		68,851	61,341
Share based payment reserve	24	429	149
Foreign currency translation reserve		1,263	(3,202)
Hedging reserve		(1,069)	(228)
TOTAL EQUITY		**100,179**	**88,765**
NET TANGIBLE ASSETS PER SHARE ($'s)		**1.94**	**1.73**

The accompanying Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these Financial Statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 $000	2014 $000
Cash flows from operating activities			
Receipts from customers and insurance proceeds		154,917	158,698
Interest received		110	190
Income taxes refunded		598	785
Dividends received	15	–	25
Payments to suppliers and employees		(105,730)	(104,111)
Interest paid		(3,492)	(4,803)
Income taxes paid		(6,378)	(6,178)
Net cash flows from operating activities	**31**	**40,025**	**44,606**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		23	5,233
Purchase of property, plant and equipment	13	(83,786)	(35,998)
Purchase of intangible assets	14	(808)	(514)
Purchase of subsidiary company		–	(811)
Investment in joint venture company	15	–	(3,391)
Net cash flows from investing activities		**(84,571)**	**(35,481)**
Cash flows from financing activities			
Proceeds from issue of shares	23	–	37,500
Repurchase of shares	23	–	(17,500)
Proceeds from bank loan draw downs		131,516	56,818
Repayment of bank loans		(77,746)	(48,748)
Repayment of subordinated debt		–	(5,000)
Repayment of finance lease liabilities		–	(28,379)
Dividends paid to shareholders	26	(8,039)	(6,708)
IPO and listing costs charged against equity	23	–	(495)
Net cash flows from financing activities		**45,731**	**(12,512)**
Net increase/(decrease) in cash and cash equivalents		1,185	(3,387)
Net foreign exchange differences		(399)	1,128
Cash and cash equivalents at start of year		2,434	4,693
Cash and cash equivalents at end of year	8	**3,220**	**2,434**

The accompanying Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these Financial Statements

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2015

A. REPORTING ENTITY

Airwork Holdings Limited ("Parent" or "the Company") is a profit-oriented company incorporated and domiciled in Auckland, New Zealand, registered under the Companies Act 1993, is listed on the NZX Main Board securities market, and is an FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is Level 4, 32 Mahuhu Crescent, Auckland, New Zealand.

Financial statements are presented for Airwork Holdings Limited and its subsidiary, associate and joint venture companies ("the Group") in accordance with the Financial Markets Conduct Act 2013. The financial statements were authorised for issue by the Directors on 27 August 2015.

B. NATURE OF OPERATIONS

The Group provides chartering, leasing, crewing and engineering support services to helicopters and fixed wing aircraft principally in New Zealand, Australia, Asia-Pacific, Europe, Africa and North America. There have been no changes to the Group's principal activities during the period.

C. BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities. Derivative financial instruments are measured at fair value, and non-current assets held for sale or discontinued operations are measured at the lower of historic cost and fair value less costs to sell.

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

Estimates and assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 1.

The accounting policies have been applied consistently throughout the Group for the purposes of this financial report. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current year's policy. In addition, with effect from 1 July 2014, the Group increased the forecast residual values of its Boeing 737 freighter aircraft, which resulted in $1,218,000 less depreciation expense in the period and an increase in net profit after tax of $877,000.

New standards and amendments effective in the year have no material impact on the Group.

The following standards and amendments were available for early adoption but have not been applied by the Group in the preparation of these financial statements:

- NZ IFRS 9 – Financial Instruments;
- NZ IFRS 15 – Revenue from Contracts with Customers.

The adoption of these standards is likely to have an effect on the Group's financial statements, however the Group has yet to perform a detailed analysis of the new standards.

D. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of consolidation

Subsidiary companies

Subsidiary companies are those entities that are controlled, directly or indirectly, by the Group. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, and is generally accompanied by a shareholding of more than one half of the voting rights. The financial statements of subsidiary companies are included in the consolidated financial statements using the purchase method of consolidation from the date that control commences to the date that control ceases.

Associate and joint venture companies

Associate companies are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group generally considers it has significant influence if it has between 20% and 50% of the voting rights.

Joint venture companies are entities in which the Company has joint control under a contractual arrangement with another party. Joint control is measured by a requirement for unanimous agreement between the parties to govern the financial and operating decisions of an entity so as to obtain the benefits from their activities.

The consolidated financial statements include the Group's share of the net profit or loss of associate and joint venture companies on an equity accounted basis. Investments in associate and joint venture companies are stated at the Group's share of their fair value of the net assets at acquisition date plus the share of post-acquisition movements in reserves. Goodwill relating to associate and joint venture companies is included in the carrying amount of the investment and is not amortised. In the consolidated financial statements, dividends receivable from associate and joint venture companies are recognised as a reduction to the carrying amount of the investment.

When the Group's share of losses in associate and joint venture companies equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture. The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves.

Associate and joint venture companies' accounting policies conform to those used by the Group for similar transactions and events in similar circumstances.

Investments in associate and joint venture companies are assessed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount is estimated to ensure that the carrying amount does not exceed the recoverable amount.

Business Combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for an acquisition is the fair values of the assets transferred, the liabilities incurred and the equity interests issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition related costs are recognised as an expense in the period in which the costs are incurred and the services are received, with the following exceptions: costs to issue equity securities are recognised directly in equity as a reduction to share capital; costs to issue debt securities are deferred and recognised over the life of the debt security.

Except for non current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Income Statement.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the transaction. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Transactions eliminated on consolidation

The effects of all intra-group balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in preparing consolidated financial information.

2. Property, plant and equipment

Property, plant and equipment is shown in the financial statements at historical cost, less accumulated depreciation and any impairment losses.

Owned assets

All property, plant and equipment owned by the Group is initially recorded at cost and depreciated. Initial cost includes the purchase consideration, or fair value in the case of subsidised assets, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. These costs include, where applicable, consent costs, all materials used in construction, direct labour on the project, delivery costs, duty and other non recoverable charges, financing costs that are directly attributable to the project, and an appropriate portion of variable and fixed overheads. All feasibility costs are expensed as incurred.

Third party capital contributions

Third party contributions towards the capital cost of an asset are included within operating revenue at fair value. Accordingly, the contribution is recorded in the Balance Sheet at its fair value at the date of acquisition.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

Expenditure, including inventory, relating to major aircraft overhauls is capitalised. The carrying amount of a replacement part is derecognised. Repair and maintenance costs are charged as an expense in the Income Statement.

Disposal

On disposal or permanent withdrawal of an item of property, plant and equipment the difference between the disposal proceeds (if any) and the carrying amount is recognised in the Income Statement.

3. Depreciation

All property, plant and equipment is written off or, where applicable, written down to its residual value over its estimated useful life. Depreciation commences from the date the asset enters service.

All items of property, plant and equipment are depreciated at rates which will write off their cost, less estimated residual value, over their expected useful lives. Depreciation rates and methods for each component group of fixed wing aircraft and helicopters are as follows:

- Airframe: straight line basis over a period of up to 20 years
- Engines: hours/cycles flown to next major overhaul
- Hot section inspection: hours flown to next major overhaul
- Propellers: hours flown to next major overhaul
- Other life components: hours flown, cycles or calendar time to next major overhaul

All other property, plant and equipment are depreciated at the following rates:

- Buildings on leasehold land: straight line over remaining life of lease
- Motor Vehicles: 7% to 20% straight line
- Plant and Equipment: 3% to 80% straight line

Capital work in progress is not depreciated until the asset is commissioned.

4. Intangible assets

Intangible assets acquired separately or in a business combination are recognised initially at cost. An intangible asset with a finite useful life is amortised either on a straight line basis over its useful life, or on a basis representative of the expected benefit of the underlying assets. If there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, the asset is not amortised but is tested annually for impairment.

Goodwill

Goodwill arising on the acquisition of a subsidiary company represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary company recognised at the date of acquisition. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which the goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Contractual customer relationships

Contractual customer relationships acquired separately or in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight line basis over a period of between five and ten years.

Intellectual property

Intellectual property relating to specialised product development and industry certification costs are carried at cost less accumulated amortisation. Amortisation is calculated with reference to the expected market size and on the basis of expected future sales, and is charged as an expense as those sales are recognised as revenue.

Intellectual property relating to training and generational manuals acquired in a business combination are recognised at fair value at the acquisition date and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight line basis over a period representative of the benefit and use of the underlying assets. At 30 June 2015, the Group did not record any intellectual property acquired in a business combination.

Computer software

Computer software is a finite life intangible asset and is recorded at cost less accumulated amortisation and any impairment losses. Amortisation is charged as an expense on a straight line basis over periods of up to ten years.

Other intangible assets

Internally generated intangible assets, excluding intellectual property, are not capitalised and expenditure is recognised in the Income Statement in the year in which the expenditure is incurred.

5. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Operating leases

Operating leases are defined as leases under which substantially all the benefits and risks of ownership of the applicable asset or assets remain with the lessor.

The Group is lessee of certain property, plant and equipment under operating leases. Where the Group is the lessee, operating leased assets are not recorded on the Group's Balance Sheet. Expenses relating to operating leases are charged to the Income Statement on a basis that is representative of the pattern of benefits expected to be derived from the leased asset.

The Group is also lessor of certain property, plant and equipment under operating leases. Assets leased to third parties under operating leases are included in property, plant and equipment in the Balance Sheet and depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Preliminary expenses and establishment costs incurred in connection with operating leases as lessor are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Finance leases

Finance leases are defined as leases under which substantially all the benefits and risks of ownership of the applicable asset or assets remain with the lessee. No material finance leases have been entered into by the Group as lessor.

6. Impairment of non financial assets (excluding goodwill)

The carrying amounts of the Group's non financial assets (excluding goodwill) are reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the recoverable amount will be estimated for the asset and it will be tested for impairment by comparing the asset's recoverable amount to its carrying amount. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined. A cash generating unit is the smallest identifiable group of assets that generate cash flows largely independent of other assets or groups of assets.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

An impairment loss will be recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of a cash generating unit will be allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis to their carrying amounts. Any impairment loss is recognised in the Income Statement in the period in which it arises.

7. Foreign currency translation

Functional currency

The presentation currency of the Group is New Zealand dollars. Except where otherwise specified, all dollar amounts shown in the financial statements are stated in New Zealand dollars.

Translation of foreign currency transactions

All exchange differences arising on the translation of monetary assets and liabilities in foreign currencies, whether realised or unrealised, are recognised in the Income Statement. Foreign currency transactions are translated to the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities in foreign currencies at balance date are translated at exchange rates ruling at balance date. Non monetary assets are translated to New Zealand dollars using the exchange rates at the date of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of foreign operations

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Income and expenses for each subsidiary company whose functional currency is not New Zealand dollars are translated at exchange rates that approximate the rates ruling at the dates of the transactions. Assets and liabilities of those subsidiary companies are translated at exchange rates prevailing at balance date, and all resulting foreign exchange differences are recognised in the foreign currency translation reserve, which is a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency investments designated as hedges of such investments are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the Income Statement as part of profit or loss on sale.

8. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods

The Group sells aircraft and aircraft spare parts to both trade and retail customers. Sales of goods are recognised when a group entity has delivered the goods to the customer. Except where the Group agrees to deliver the goods to the customer's premises, delivery occurs when the goods have been released to a carrier. In general, delivery occurs when the risk of obsolescence and loss has been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance has been satisfied.

Sales are recorded based on the price specified in the sales contracts. No element of financing is deemed present as the sales are generally made with 30-day credit terms, which is consistent with market practice. Retail sales are usually in cash or by credit card.

Sale of services

The Group provides aircraft operations and support services to customers. Services include both aircraft only and full service (aircraft, crew, maintenance and insurance) leasing, generally to customers involved in oil and gas exploration, transport operations and providing emergency medical services (EMS). These services are provided on either a flying time basis, as a fixed-price contract or a mixture of both; with contract terms generally ranging from less than one year to ten years. Revenue is generally recognised when the services have been performed, at the contractual rates.

Aircraft maintenance

Maintenance revenue is recognised and measured at the fair value of the consideration received or recoverable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Where aircraft maintenance contract revenues cannot be reliably measured, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. When it is probable that total contract costs will exceed revenue, the expected loss is expensed immediately.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Third party capital contributions

Third party contributions towards the capital cost of an asset are included within operating revenue at fair value.

9. Taxation

Income tax expense is charged against net profit before taxation comprising current and deferred taxes. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. The following temporary differences will not be provided for:

- the initial recognition of assets and liabilities that affect neither accounting or taxable profit;
- differences relating to goodwill; and
- differences relating to investments in subsidiary companies to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantially enacted at each reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset will be recognised in the financial statements for all deductible temporary differences and for the carry forward of unused tax losses and tax credits only to the extent that it is probable that future taxable profits will be available against which the asset base can be utilised. Unrecognised deferred tax assets are reassessed at each reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

10. Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Trade receivables and trade payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authorities is included as a current asset or current liability in the Balance Sheet. Operating cash flows are included in the Statement of Cash Flows on a gross basis in respect of GST. The GST component of cash flows arising from investing and financing activities, which are recoverable from or payable to the tax authorities, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authorities.

11. Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated on the same basis, but adjusted for the effects of conversion of all dilutive potential ordinary shares.

12. Segmental reporting

The determination of the Group's operating segments and the information reported for the operating segments is based on the management approach as set out in NZ IFRS 8 *Operating Segments*. The Group's Board has been identified as the Group's chief operating decision maker for the purpose of applying NZ IFRS 8.

13. Accounts receivables

Accounts receivables are initially recorded at fair value which is typically their original invoice amount and subsequently reduced by appropriate allowances for non recoverable amounts. Bad and doubtful debts are expensed to the Income Statement when a debt is identified as being impaired.

14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific identification costing method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs including an appropriate share of directly attributable overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

15. Loans

Loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any differences between the initial recognised amount and the principal amount being recognised in the Income Statement over the period of the loan using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date and intends to exercise that right.

Financing costs

Financing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset or assets are capitalised as part of the cost of the asset or assets. Capitalisation of financing costs cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

16. Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and due to their short term nature, payables are typically not discounted.

17. Provisions

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the future cash flows using a current pre-tax discount rate that reflects the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision for the passage of time is recognised as a finance cost.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

18. Employee entitlements

Employee benefits are all forms of consideration given in exchange for services rendered by employees. Employee benefits include:

- short term employee benefits e.g. salaries and wages;
- profit sharing and bonus plans;
- short term compensated absences e.g. sick leave and annual leave;
- other benefits e.g. contributions to superannuation plans; and
- long term employee benefits e.g. long service leave;
- termination benefits.

Provisions for employee entitlements are recognised as a liability in respect of benefits earned by employees not yet paid at balance date. The liability for employees' compensation for future absences is accrued in respect of employees' services already rendered and where the obligation relates to rights which have vested. The provision is determined by reference to the benefits vested, the current rate of pay adjusted for consideration of future increases in wage and salary rates, and the inclusion of related on-costs.

Additionally the Group estimates the liability for leave to be provided at the time an employee qualifies for long service leave on an actuarial basis and accrues the estimated future liability. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contributions to superannuation plans

Certain employees are members of defined contribution schemes and the Group contributes to those schemes. A defined contribution scheme is a plan under which the employee and the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions in relation to employee service in the current and prior periods. The contributions are recognised as employee benefit expense in the Income Statement when they are due.

19. Investments and other financial assets

Investments and financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its financial assets on initial recognition, and when allowed and appropriate, re-evaluates this designation at each financial year end.

Classification

- Financial assets at fair value through profit or loss - financial assets classified as held for trading are included in the category "Financial Assets at Fair Value through Profit or Loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the Income Statement and the related assets/liabilities are classified as current assets/liabilities in the Balance Sheet.
- Loans and receivables - the predominant financial assets held by the Group are trade and other receivables. Receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. Receivables are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non current assets.
- Available for sale financial assets - available for sale financial assets are non derivatives that are either designated in this category or not classified in any other of the categories. They are included in non current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Income Statement as 'Gains/(losses) from investment securities'. Interest on available for sale securities calculated using the effective interest rate method is recognised in the Income Statement as part of other income. Dividends on available for sale equity instruments are recognised in the Income Statement as part of other income when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable, unconditional right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Income Statement.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Income Statement.

20. Derivative financial instruments

The Group uses derivative financial instruments within predetermined policies and limits in order to hedge its exposure to fluctuations in foreign exchange rates and interest rates. Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. The Group designates certain derivatives as either:

- hedges of the exposure to changes in the fair value of recognised assets or liabilities or an unrecognised firm commitment (fair value hedge); or
- hedges of the exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of net investments in foreign operations (net investment hedge).

Where hedge accounting is adopted, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non current asset or a non current liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or current liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or current liability.

The fair value of derivative financial instruments are determined by reference to the market values for similar products of similar maturity.

- Fair value hedge – changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
- Cash flow hedge – the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

  Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, the purchase of inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

  When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.
- Net investment hedge - hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity and in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold.

The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes. Within the aviation industry, aircraft asset values are transacted in US$, therefore the Group's ultimate exposure to the realisation of residual aircraft asset values is in US$. Instances arise where the Group has hedged its financial risk exposures economically, but the hedges are deemed ineffective hedges under NZ IFRS and therefore fall within the classification as held for trading. In these circumstances, movements in the fair value of derivative financial instruments are recognised in the Income Statement.

21. Non current assets/liabilities held for sale

Non current assets and liabilities including those associated with discontinued activities, are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of disposal.

22. Cash flow

The following are the definitions of terms used in the Statement of Cash Flows:

- cash is cash on hand, current accounts in banks and short term deposit accounts with a maturity date of less than three months;
- investing activities are those activities relating to acquisition, holding and disposal of property, plant and equipment and of investments, and include the purchase and sale of interests in other entities;
- financing activities are those activities which result in changes in the size and the composition of the capital structure. This includes both equity and debt not falling within the definition of cash; and
- operating activities include all transactions and other events that are not investing or financing activities.

23. Share capital

Ordinary shares are classified as equity. Share capital is recognised at the fair value of the consideration received for the issue of shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Transaction costs related to the listing of new shares and the simultaneous listing of existing shares on the NZX are allocated to those shares on a proportionate basis. Transaction costs relating to the listing of existing shares are not considered costs of an equity instrument as no equity instrument is issued and consequently costs are recognised as an expense in the Income Statement when incurred. Transaction costs related to the issue of new share capital are recognised directly in equity as a reduction of the share proceeds received.

24. Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share based payment reserve. Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of each reporting period.

25. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated on the same basis, but adjusted for the effects of conversion of all dilutive potential ordinary shares.

26. Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's Balance Sheet in the period in which the dividends are approved by the Company's Directors.

E. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. Uniform accounting policies have been applied by the Group on a consistent basis with those of the previous year.

Certain comparative amounts have been reclassified in order to conform with the current year's presentation.

Restatement of comparatives – Business Combinations

In the previous year the Group acquired 100% of Baxolex Pty Ltd, the holding company for Helibip Pty Ltd, a helicopter operating business registered in South Africa and operating in Guinea, Africa. The acquisition provided the platform for the Group's helicopter leasing operations on the African continent.

As required by NZ IFRS 3 *Business Combinations*, the Group finalised the accounting for this acquisition in the current year (being within 12 months of the acquisition date) and the following adjustments have been made to amounts previously reported:

	2014 $000
Property, plant and equipment	
Amount previously disclosed	128,763
Goodwill reclassified to intangible assets	(600)
Restated amount	**128,163**
Intangible assets	
Amount previously disclosed	1,926
Goodwill reclassified from property, plant and equipment	600
Restated amount	**2,526**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions and the differences may be material. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Estimated impairment of non financial assets

Non financial assets (including property, plant and equipment, intangible assets, investment in associate company and investment in joint venture companies) are reviewed at each reporting date to determine whether there are any indicators that the carrying amount may not be recoverable. Judgement is required to determine whether there are indicators of impairment.

Residual values and useful lives of assets

Estimates and judgements are applied by management to determine the expected useful life of aircraft related assets. The useful lives are determined based on the expected service potential of the asset and lease terms. An asset's residual value, at the expected date of disposal, is estimated by reference to external projected values.

Judgement is also applied in the identification of depreciation and amortisation rates that are indicative of the period over which the carrying value of each asset will be realised.

Capital v repairs and maintenance expenditure

The Group maintains and services its own aircraft, including aircraft owned under finance lease arrangements. Judgements are applied by management to determine whether expenditure on existing property, plant and equipment is of a capital nature, in which case it is capitalised, or whether the expenditure is repairs and maintenance in which case it is expensed.

Commercial dispute

Judgement is applied in the recognition of revenue and impairment assessment of accounts receivable and aircraft carrying values in relation to a contract which is the subject of a commercial dispute with a customer. The Group issued notice of termination of this contract in March 2015. The fleet of eight helicopters used in this contract has a carrying value of $7.6 million as at 30 June 2015. The Group is awaiting judgement in its legal action to enforce its rights under the contract. The directors consider the Group has taken a prudent approach to the recognition of revenue and receivables in respect of this customer contract.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. The preparation of the financial statements requires management to make estimates about items that are not known at balance date or prior to the Group reporting its result. Judgements are required about the application of income tax legislation and the determination of the worldwide provision for income taxes. These judgements and assumptions are subject to risk and uncertainty, which may ultimately impact the amount of tax payable by the Group. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Income Statement.

Deferred tax assets are recognised for deductible temporary differences and income tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

2. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its products and services and has two reportable operating segments as follows:

- The Fixed Wing business, providing contract aircraft leasing, charter, aircraft flight operations and maintenance, repair and overhaul ("MRO") services to a number of sectors including air freight and logistics operators; and
- The Helicopter business, providing helicopter MRO services in New Zealand and internationally including turbine engine and dynamic component repair and overhaul, and helicopter leasing, crewing and charters for emergency medical services, police, search and rescue, oil, gas and mineral exploration and tourism.

No operating segments have been aggregated to form the above reportable operating segments.

The Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and is measured consistently with operating profit in the consolidated financial statements. Group financing (including finance costs and finance income), income taxes, management fees and balance sheets are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

YEAR ENDED 30 JUNE 2015	HELICOPTERS $000	FIXED WING $000	TOTAL SEGMENTS $000	ADJUSTMENTS AND ELIMINATIONS $000	CONSOLIDATED $000
Revenue					
External customers	85,405	59,463	**144,868**	64	**144,932**
Inter-segment	1,324	1,149	**2,473**	(2,473)	**–**
Total income	**86,729**	**60,612**	**147,341**	**(2,409)**	**144,932**
Depreciation, amortisation and impairment expenses	(8,366)	(15,006)	**(23,372)**	(180)	**(23,552)**
Share of profit of associates and joint ventures	856	50	**906**	(16)	**890**
Segment operating profit/(loss) after depreciation, amortisation and impairment expenses	20,510	10,625	**31,135**	(6,383)	**24,752**
Other disclosures					
Capital expenditure	21,333	61,371	**82,704**	1,188	**83,892**

YEAR ENDED 30 JUNE 2014	HELICOPTERS $000	FIXED WING $000	TOTAL SEGMENTS $000	ADJUSTMENTS AND ELIMINATIONS $000	CONSOLIDATED $000
Revenue					
External customers	64,343	61,009	**125,352**	13	**125,365**
Other income	–	13,628	**13,628**	–	**13,628**
Inter-segment	299	902	**1,201**	(1,201)	**–**
Total income	**64,642**	**75,539**	**140,181**	**(1,188)**	**138,993**
Depreciation, amortisation and impairment expenses	(5,562)	(23,861)	**(29,423)**	(56)	**(29,479)**
Share of profit of associates and joint ventures	204	112	**316**	(4)	**312**
Segment operating profit/(loss) after depreciation, amortisation and impairment expenses	13,952	11,693	**25,645**	(6,473)	**19,172**
Other disclosures					
Capital expenditure	19,689	17,398	**37,087**	127	**37,214**

Inter-segment revenues are eliminated upon consolidation and reflect in the 'adjustments and eliminations' column. Finance income, finance expenses and other gains/(losses) are not allocated to individual segments as the underlying instruments are managed on a group basis. Capital expenditure consists of additions of property, plant and equipment, and intangible assets. All other adjustments and eliminations are part of the detailed reconciliations further below. Other income disclosed in the prior year relates to insurance proceeds following an aircraft incident in January 2014.

Geographic information

	2015 $000	2014 $000
Income from external customers		
New Zealand	46,255	35,417
Australia	49,203	64,022
Rest of World	49,474	39,554
Total income per consolidated income statement	**144,932**	**138,993**

The revenue information above is based on the locations of the customers. Revenue from one customer amounted to $30,085,000 (2014: $33,383,000), arising from sales by the fixed wing segment. Revenue from a second customer amounted to $15,995,000 (2014: $13,395,000), arising from sales by the fixed wing segment.

	2015 $000	2014 $000
Non current assets by location		
New Zealand	39,422	35,047
Australia	66,382	62,258
Rest of World	103,658	33,384
Total non current assets	**209,462**	**130,689**

Non current assets for this purpose consist of the location of property, plant and equipment, and intangible assets.

3. OPERATING EXPENSES

	2015 $000	2014 $000
Parts and material purchases	(38,309)	(33,786)
Labour and related expenses (refer Note 4)	(39,249)	(37,357)
Aircraft operating expenses	(5,520)	(4,647)
Other expenses	(14,440)	(13,610)
	(97,518)	**(89,400)**

4. OPERATING PROFIT

The following items of revenue/(expense) are including in Operating Profit:

	2015 $000	2014 $000
Auditor's remuneration: PricewaterhouseCoopers		
› Auditing the financial statements	(155)	(105)
› Taxation services	(209)	(131)
› Review of interim financial statements	(20)	(20)
› Treasury advisory services	(15)	–
› Technology services	(11)	–
› IPO investment statement and prospectus assurance services	–	(336)
Depreciation expense:		
› Buildings	(220)	(220)
› Helicopters	(6,755)	(4,781)
› Fixed Wing:		
– Owned aircraft	(14,250)	(9,822)
– Aircraft subject to finance leases	–	(3,646)
› Rotables and spare parts	(374)	(374)
› Plant, equipment and motor vehicles	(1,245)	(737)
Total depreciation expense (refer Note 13)	**(22,844)**	**(19,580)**
Impairment expense: property, plant and equipment (refer Note 13)	–	(9,653)
Amortisation expense: intangible assets (refer Note 14)	(708)	(246)
Total depreciation, amortisation and impairment expenses	**(23,552)**	**(29,479)**
Labour and related expenses:		
› Wages and salaries	(35,548)	(34,046)
› Contractors and temporary staff	(1,304)	(1,672)
› Contributions to employee superannuation schemes	(1,332)	(1,270)
› Share based payment expense	(280)	(149)
› Other short term benefits	(785)	(220)
	(39,249)	**(37,357)**
Impairment loss on accounts receivable:		
› Written off as non recoverable	(17)	(14)
› Increase in provision for doubtful debts	(67)	(12)
	(84)	**(26)**
Impairment loss on inventory:		
› Obsolete stock written (off)/back	(99)	8
› Increase in provision for inventory impairment	(527)	(172)
	(626)	**(164)**
Directors' fees	(168)	(118)
Gain on disposal of property, plant and equipment	73	322
Operating lease expenses	(1,264)	(874)

5. FINANCE INCOME AND EXPENSES

	2015 $000	2014 $000
Interest income	110	190
Interest expense	(2,819)	(3,803)
Finance fees	(673)	(598)
Finance lease break costs	–	(272)
	(3,382)	**(4,483)**
Represented in the income statement as follows:		
Finance income	110	190
Finance expenses	(3,492)	(4,673)
	(3,382)	**(4,483)**

Borrowing costs of $314k at an average rate of USD 1.9% were capitalised in the year (2014: nil)

6. OTHER (LOSSES)/GAINS

	2015 $000	2014 $000
Net foreign exchange (losses)/gains comprises:		
› Realised foreign exchange (losses)/gains	(635)	2,943
› Unrealised foreign exchange gains/(losses)	612	(23)
	(23)	**2,920**
Net change in fair value of derivative financial instruments:		
› Derivatives measured at fair value through the income statement (refer Note 32)	(3)	(3,107)
	(26)	**(187)**

7. INCOME TAX EXPENSE

	2015 $000	2014 $000
Operating profit before taxation	**21,344**	**14,502**
Prima facie taxation expense at 28%	(5,976)	(4,061)
Taxation effect of permanent differences:		
Tax rate differential related to non-New Zealand earnings	3	37
Equity accounted profits of associate company	24	62
Non deductible IPO and listing costs	–	(351)
Other non assessable revenues and non deductible expenses (net)	60	216
Adjustment for prior years	94	(577)
Income tax expense	**(5,795)**	**(4,674)**
Represented by:		
Current tax	(8,685)	(3,274)
Deferred tax (refer Note 22)	2,796	(823)
Adjustment for prior years	94	(577)
Total income tax expense	**(5,795)**	**(4,674)**
Imputation credit account		
Balance at start of year	3,988	2,991
Tax payments	5,918	3,349
Credits attached to dividends received	1	11
Credits attached to dividends paid	(3,126)	(2,267)
Balance of imputation credit account at end of year	**6,781**	**4,084**
New Zealand tax payable/(refundable) at end of year	3,459	(96)
Imputation credits available for subsequent periods	**10,240**	**3,988**

Airwork Holdings Limited and its significant trading New Zealand subsidiary companies form a tax consolidated group, therefore the imputation credits shown above are for the tax consolidated group.

The Group's effective tax rate for the year was 27.2% (2014: 32.2%).

8. CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Cash at bank and on hand	2,732	2,208
Aircraft reserves bank account	488	226
Cash at bank and on hand	**3,220**	**2,434**

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. Cash held in the aircraft reserves bank account can be accessed only to fund capital expenditure on specific aircraft and with the consent of the customer.

9. ACCOUNTS RECEIVABLE

	2015 $000	2014 $000
Trade receivables	19,709	11,385
Provision for doubtful receivables	(703)	(636)
	19,006	**10,749**
Other receivables	1,392	2,216
	20,398	**12,965**

Trade receivables are non interest bearing and are generally on 30 day terms. Due to the short term nature of these receivables, their carrying value approximates fair value. At 30 June, the ageing of trade receivables was as follows:

	2015 $000	2014 $000
Not past due	13,575	9,465
Past due 0 – 30 days, not considered impaired	3,893	835
Past due 31 – 60 days, not considered impaired	464	169
Past due 60 – 90 days, not considered impaired	81	60
Past due more than 90 days, not considered impaired	993	220
Past due more than 90 days, considered impaired	703	636
	19,709	**11,385**

Other receivables are not past due and do not contain impaired assets.

10. PROPERTY, PLANT & EQUIPMENT HELD FOR SALE

	2015 $000	2014 $000
Balance at start of year	–	4,930
Transferred from property, plant and equipment (refer Note 13):		
› Cost	–	201
› Depreciation	–	–
› Net book value transferred from property, plant and equipment	**–**	**201**
Disposals	–	(3,942)
Transfer to trading inventory	–	(1,107)
Net foreign exchange movements	–	(82)
Balance at end of year	**–**	**–**

11. INVENTORY AND WORK IN PROGRESS

	2015 $000	2014 $000
Inventory: materials and components	19,488	16,472
Trading inventory	400	2,896
Provision for inventory impairment	(1,775)	(1,248)
	18,113	**18,120**
Work in progress	10,982	9,570
	29,095	**27,690**

Trading inventories consist of helicopters purchased for refurbishment and resale.

12. OTHER ASSETS

	2015 $000	2014 $000
Prepayments	1,595	851
Lease incentive	–	1,014
Other assets	8	242
	1,603	**2,107**
Represented by:		
Current	1,603	1,358
Non current	–	749
	1,603	**2,107**

13. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS $000	FIXED WING AIRCRAFT UNDER FINANCE LEASE $000	FIXED WING AIRCRAFT $000	ROTABLES AND SPARE PARTS $000	HELICOPTERS $000	PLANT, EQUIPMENT AND MOTOR VEHICLES $000	TOTAL $000
Cost:							
Balance as at 1 July 2013	4,232	49,847	71,218	12,569	51,394	10,490	199,750
Additions	85	3,550	11,942	1,212	18,184	1,025	35,998
Net increase in accrued capital expenditure	–	–	–	–	702	–	702
Additions through acquisition of subsidiary	–	–	–	–	1,151	15	1,166
Disposals	–	(15,951)	(39)	(29)	(4,048)	(311)	(20,378)
Reclassification	–	(33,574)	34,815	(1,416)	175	–	–
Transfer to property, plant and equipment held for sale (refer Note 10)	–	–	–	–	(201)	–	(201)
Net foreign exchange movements	–	(3,872)	(6,954)	–	(343)	(378)	(11,547)
Balance as at 30 June 2014	**4,317**	**–**	**110,982**	**12,336**	**67,014**	**10,841**	**205,490**
Additions	1,628	–	59,828	983	19,459	1,888	83,786
Net decrease in accrued capital expenditure	–	–	–	–	(702)	–	(702)
Disposals	–	–	(5,877)	–	–	(54)	(5,931)
Reclassification	–	–	481	91	(572)	–	–
Transfer to stock	–	–	–	(1,320)	(1,419)	–	(2,739)
Net foreign exchange movements	–	–	35,903	–	120	24	36,047
Balance as at 30 June 2015	**5,945**	**–**	**201,317**	**12,090**	**83,900**	**12,699**	**315,951**
Accumulated Depreciation and Impairment:							
Balance as at 1 July 2013	(2,608)	(18,834)	(28,886)	–	(16,583)	(6,730)	(73,641)
Disposals	–	15,923	39	–	4,037	152	20,151
Depreciation expense (refer Note 4)	(220)	(3,646)	(9,822)	(374)	(4,781)	(737)	(19,580)
Impairment expense (refer Note 4)	–	(9,653)	–	–	–	–	(9,653)
Reclassification	–	14,556	(13,355)	(1,201)	–	–	–
Net foreign exchange movements	–	1,654	3,730	–	–	12	5,396
Balance as at 30 June 2014	**(2,828)**	**–**	**(48,294)**	**(1,575)**	**(17,327)**	**(7,303)**	**(77,327)**
Disposals	–	–	5,877	–	–	20	5,897
Depreciation expense (refer Note 4)	(220)	–	(14,250)	(374)	(6,755)	(1,245)	(22,844)
Net foreign exchange movements	–	–	(14,820)	–	(10)	(11)	(14,841)
Balance as at 30 June 2015	**(3,048)**	**–**	**(71,487)**	**(1,949)**	**(24,092)**	**(8,539)**	**(109,115)**
Book Value:							
As at 30 June 2014	1,489	–	62,688	10,761	49,687	3,538	128,163
As at 30 June 2015	**2,897**	**–**	**129,830**	**10,141**	**59,808**	**4,160**	**206,836**

$59,828,000 of Fixed Wing Aircraft additions during the year ended 30 June 2015 includes $52,872,000 related to the acquisition and freighter conversion of Boeing 737-400 aircraft. $19,459,000 of Helicopter additions during the year ended 30 June 2015 includes further expansion of the Helicopter leasing fleet.

14. INTANGIBLE ASSETS

	CERTIFICATION COSTS $000	COMPUTER SOFTWARE $000	FLYING CONTRACT $000	GOODWILL $000	TOTAL $000
Cost:					
As at 1 July 2013	1,983	482	375	–	2,840
Additions	461	53	–	–	514
Additions through acquisition of subsidiary	–	–	–	600	600
As at 30 June 2014	**2,444**	**535**	**375**	**600**	**3,954**
Additions	7	801	–	–	808
As at 30 June 2015	**2,451**	**1,336**	**375**	**600**	**4,762**
Accumulated Amortisation:					
As at 1 July 2013	(469)	(482)	(231)	–	(1,182)
Amortisation expense (refer Note 4)	(210)	–	(36)	–	(246)
As at 30 June 2014	**(679)**	**(482)**	**(267)**	**–**	**(1,428)**
Amortisation expense (refer Note 4)	(641)	(31)	(36)	–	(708)
As at 30 June 2015	**(1,320)**	**(513)**	**(303)**	**–**	**(2,136)**
Net Book Value:					
At 30 June 2014	1,765	53	108	600	2,526
At 30 June 2015	**1,131**	**823**	**72**	**600**	**2,626**

15. INVESTMENTS IN ASSOCIATE AND JOINT VENTURE COMPANIES

	2015 $000	2014 $000
Shares in associate and joint venture companies, at cost	3,466	3,466
Equity accounted earnings of associate and joint venture companies	1,368	478
Net equity investment in associate and joint venture companies	**4,834**	**3,944**

The associate and joint venture companies of the Group and their activities were as follows:

	CLASSIFICATION	PRINCIPAL ACTIVITY	2015 % SHARES	2014 % SHARES
Heliport Lease Holdings Ltd	Associate	Property company	33%	33%
Inflite Charters Ltd	Joint Venture	Aviation charter company	50%	50%
Allway Logistics Ltd	Joint Venture	Helicopter leasing company	50%	50%
Parcelair Ltd	Joint Venture	Aviation operating company	50%	–

Parcelair Limited was incorporated on 25 June 2015 and had not commenced operations at 30 June 2015. Movements in investment in associate and joint venture companies during the year comprise:

	2015 $000	2014 $000
Balance at start of year	3,944	266
Shares subscribed for during the year	–	3,391
Share of current year profits	890	312
Dividends received	–	(25)
Balance at end of year	**4,834**	**3,944**

Heliport Lease Holdings Limited, Inflite Charters Limited and Parcelair Limited have a balance date of 30 June; Allway Logistics Limited has a balance date of 31 December. The following table summarises the financial information relating to the Group's associate and joint venture companies, and represents 100% of the associate and joint venture companies' net assets, revenues and net profits.

	2015 $000	2014 $000
Extracts from associate and joint venture companies' balance sheets (unaudited):		
Current assets	3,377	3,928
Non current assets	15,113	9,654
Current liabilities	(810)	(785)
Non current liabilities	(6,384)	(5,497)
Net assets	**11,296**	**7,300**
Extract from associate and joint venture companies' income statement (unaudited):		
Revenue	**8,952**	**9,789**
Net profit after taxation	**1,575**	**874**

The associate and joint venture companies did not have any contingent liabilities or capital commitments at balance date (2014: nil).

16. INVESTMENTS IN SUBSIDIARY COMPANIES

The significant subsidiary companies of the Group and their activities were as follows:

	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	2015 % SHARES	2014 % SHARES
AFO Aircraft (Aus) Pty Limited	Aircraft leasing and parts	Australia	100%	100%
AFO Aircraft (NZ) Limited	Aircraft leasing and parts	New Zealand	100%	100%
Airwork (NZ) Limited	Aircraft maintenance and overhaul	New Zealand	100%	100%
Airwork Africa Pty Limited	Helicopter operations	South Africa	100%	100%
Airwork (Europe) Limited	Aircraft parts support	New Zealand	100%	100%
Airwork Flight Operations Limited	Aircraft charter and maintenance	New Zealand	100%	100%
Airwork Flight Operations Pty Limited	Aircraft charter and maintenance	Australia	100%	100%
Airwork Heli Engineering Pty Limited	Aircraft maintenance	Australia	100%	100%
Airwork Personnel Pty Limited	Personnel services	Australia	100%	100%
Heli Holdings Limited	Aircraft leasing and charter	New Zealand	100%	100%
Heli Holdings Pty Limited	Aircraft leasing and charter	Australia	100%	100%
Helibip Pty Limited	Helicopter operations	South Africa	100%	100%
Helilink Limited	Helicopter operations	New Zealand	100%	100%

All subsidiary companies have a balance date of 30 June.

17. LOANS

	2015 $000	2014 $000
Loans comprise:		
Multi-currency cash advances facility (secured)	121,342	48,403
Term loans (secured)	–	6,391
	121,342	**54,794**
Represented by:		
Current	8,513	13,546
Non current	112,829	41,248
	121,342	**54,794**

Multi-currency cash advances facility (secured)

The Company has entered into a facility agreement with Commonwealth Bank of Australia ("CBA"), which provides:

- Facility 1: multi-currency facility of up to NZ$25.0 million, of which NZ$5.0 million can be utilised as an overdraft facility. Facility 1 expires on 21 December 2017;
- Facility 2: multi-currency facility of up to US$15.0 million. Facility 2 expires on 21 December 2016;
- Facility 3: multi-currency facility of up to US$10.0 million available to fund capital expenditure purchases up to the point of commission or sale of the asset. Facility 3 expires on 21 December 2016;
- Facility 4: bond issuance facility of up to NZ$250,000. Facility 4 expires on 21 December 2015;
- Facility 5: amortising US dollar loan facility with balance of US$25.2 million on 30 June 2015. This loan facility is utilised to finance a number of the Group's Boeing 737 freighter aircraft assets. Facility 5 expires on 31 May 2018;
- Facilities 6 and 7: US dollar facility of up to US$60.0 million to fund the acquisition, refurbishment and freighter conversion of newly acquired Boeing 737-400 aircraft. Facility 6 provides up to US$15.0 million to fund capital expenditure purchases up to the point of commission of each aircraft, which is then refinanced under Facility 7 as an amortising term loan. Facility 6 expires on 21 December 2016 and Facility 7 expires on 31 March 2020.

Advances drawn under the multi-currency facilities can be drawn in NZ$, US$ or A$. Interest is payable in arrears at the end of each period at a floating rate, with a margin at commercial rates above the applicable base interest rate for the currency of each advance. A facility fee at commercial rates is payable quarterly in advance. An establishment fee was payable at inception of the Facility Agreement and an extension fee was payable on the one year extensions.

The facility is secured by a general security agreement dated 22 December 2005 as amended and restated from time to time, which provides security over the assets of Airwork Holdings Limited and certain of its subsidiary companies. Certain companies within the Group, representing at least 95% of the Group's earnings and total assets, are cross-guarantors of the facility under the general security agreement, and collectively form the charging group.

The facility agreement contains financial undertakings usual for a facility of this nature.

On 31 July 2105, the CBA facility agreement was amended as follows:

- Facility 3: amended from a capital expenditure facility to a general corporate facility; and
- Facilities 6 and 7: Facility 7 limit increased to US$76.5 million, within which the Facility 6 limit increased to US$25.0 million.

18 ACCOUNTS PAYABLE

	2015 $000	2014 $000
Trade creditors	9,941	5,122
Accrued capital expenditure (refer Note 13)	–	702
Accrued interest payable	50	1
Other accruals	6,874	5,152
	16,865	**10,977**

Due to their short term nature the carrying amount of accounts payable disclosed above is assumed to approximate fair value. They are non-interest bearing and are normally settled on 30 day terms.

19. PROVISION FOR EMPLOYEE ENTITLEMENTS

	2015 $000	2014 $000
Vested entitlements:		
› Salaries and wages	2,625	1,656
› Annual leave	2,975	2,920
› Long service leave	239	91
	5,839	**4,667**
Unvested entitlements:		
› Long service leave	109	126
	5,948	**4,793**
Represented by:		
Current	5,839	4,667
Non current	109	126
	5,948	**4,793**

20. DERIVATIVE FINANCIAL INSTRUMENTS (AT FAIR VALUE)

	2015 $000	2014 $000
Current asset/(liability):		
Foreign exchange rate contracts	(844)	–
	(844)	**–**
Non current asset/(liability):		
Interest rate contracts	(644)	(317)
	(644)	**(317)**

Foreign exchange rate contracts

The Group has entered into a number of forward exchange rate contracts to sell USD and purchase EUR at set dates to mitigate the Group's exposure to exchange rate variances related to future committed capital expenditure.

Interest rate contracts

The Group has entered into interest rate swaps and collars to mitigate interest rate risk relating to loans.

21. OTHER LIABILITIES

	2015 $000	2014 $000
Deferred income and customer prepayments	7,982	7,552
Deferred inventory purchase liability	439	2,065
Security deposits	4,130	1,747
Other liabilities	6,520	5,934
	19,071	**17,298**
Represented by		
Current	15,181	12,819
Non current	3,890	4,479
	19,071	**17,298**

22. DEFERRED TAXATION

	2015 $000	2014 $000
Deferred tax asset (deductible temporary differences)	4,236	4,746
Deferred tax liability (assessable temporary differences)	(3,714)	(7,654)
Net deferred tax asset/(liability)	**522**	**(2,908)**

Movements in the net deferred tax asset/(liability) during the year comprise:

	2015 $000	2014 $000
Net deferred tax (liability)/asset at start of year	(2,908)	(2,017)
Credited/(charged) to the Income Statement (refer Note 7)	2,796	(823)
Net foreign exchange movements	(708)	(68)
Adjustment for prior years	1,342	–
Net deferred tax asset/(liability) at end of year	**522**	**(2,908)**

Deductible/(assessable) temporary differences arise from the following assets and liabilities at balance date:

	2015 $000	2014 $000
Property, plant and equipment	(6,737)	(9,941)
Accounts payable	1,183	1,453
Inventory and work in progress	226	(467)
Provision for employee entitlements	1,161	1,080
Accounts receivable	1,288	707
Other items	38	90
Tax losses	3,363	4,170
Net deferred tax asset/(liability)	**522**	**(2,908)**

Deferred tax of $3,363,000 (2014: $4,170,000) has been recognised in relation to Australian tax losses; based on profit forecasts for the operations in Australia it is expected that these tax losses will be utilised in subsequent periods.

23. SHARE CAPITAL

	2015 NO.	2015 $000	2014 NO.	2014 $000
Authorised, issued and fully paid share capital				
Balance at start of year	50,241,498	30,705	42,549,190	11,200
Issue of share capital	–	–	14,423,077	37,500
Repurchase of share capital	–	–	(6,730,769)	(17,500)
IPO and listing costs charged against equity	–	–	–	(495)
Balance at end of year	**50,241,498**	**30,705**	**50,241,498**	**30,705**

Ordinary shares do not have a par value. All shares rank equally with regard to dividends and voting rights.

24. SHARE BASED PAYMENT RESERVE

	2015 $000	2014 $000
Balance at start of year	149	–
Share based payment expense	280	149
Balance at end of year	**429**	**149**

Employee Long Term Incentive Plan – Share Rights

On 19 February 2014 (but with economic effect from 19 December 2013), the Company issued 2,392,500 Share Rights to certain of the Group's senior managers as a long term incentive plan.

Each Share Right confers a right to subscribe for one fully paid ordinary share in Airwork for nil cash payment, subject to the satisfaction of performance hurdles. Vesting of one third of the Share Rights is conditional on Airwork Group achieving its Group EBIT budget in the financial year ended 30 June 2014, and achievement of certain Quality Assurance ("QA") and Safety KPIs over the period from 1 July 2013 to 30 June 2014. Vesting of a second third of the Share Rights is conditional on Airwork Group achieving its Group EBIT budget in the financial year ended 30 June 2015, and achievement of certain QA and Safety KPIs assessed over the period from 1 July 2014 to 30 June 2015. Vesting of a third tranche of the Share Rights is conditional on Airwork Group achieving its Group EBIT budget in the financial year ended 30 June 2016, and achievement of certain QA and Safety KPIs assessed over the period from 1 July 2015 to 30 June 2016. Vesting of the Share Rights is also dependent on achievement of Total Shareholder Returns ("TSR") from an initial base share price of $2.60 and gross dividends since 19 December 2013. The vesting period ends on 19 December 2016.

If the TSR over the vesting period is less than or equal to 10% per annum, then none of the Share Rights will become eligible to be exercised for Shares ("Eligible Share Rights"). Should this occur, then all of the Participants' Share Rights will lapse. If the TSR over the vesting period exceeds an average of 10% per annum, then up to 100% of the Share Rights will vest and become Eligible Share Rights. Vesting is on a linear pro rata basis by the Company between a 10% and 20% TSR over the vesting period (with 100% of Share Rights vesting if the TSR over the vesting period is 20% or greater per annum).

If the Share Rights vest, employees may elect to exercise them within a period of three years from the vesting date (i.e. until 19 December 2019) at no cost provided they remain employed by a member of the Airwork Group at the time of exercise. If an employee ceases employment, their Share Rights will lapse.

The Share Rights are not listed on the NZX Main Board. The movement in the number of Share Rights outstanding under the Performance Share Rights Plan was as follows:

	2015 NO.	2014 NO.
Unvested Share Rights:		
At start of year	2,392,500	–
Granted during the year	–	2,392,500
Exercised during the year	–	–
Forfeited during the year	–	–
At end of year	**2,392,500**	**2,392,500**
Percentage of ordinary shares at balance date	4.8%	4.8%
Ageing of unvested Share Rights (subject to achievement of performance hurdles):		
Share Rights to vest within one year	–	–
Share Rights to vest after one year but not more than two years	2,392,500	–
Share Rights to vest after two years but not more than three years	–	2,392,500
	2,392,500	**2,392,500**

The weighted average fair value of the share rights granted during the prior year, determined using a Monte Carlo valuation, was in aggregate $280,000 per annum. The significant inputs in the Monte Carlo valuation model were as follows:

- IPO price: $2.60 per share
- Cost of equity: 10%
- Standard deviation of returns (based on the volatility of four New Zealand stocks assessed to be similar to the Company's size and liquidity): 22.7%
- Dividend per share per annum: 14 cents

25. EARNINGS PER SHARE

	2015	2014
Basic earnings per share		
Numerator: Profit attributable to ordinary equity holders ($000)	15,549	9,828
Denominator: Weighted average number of ordinary shares (thousands)	50,241	46,659
Basic earnings per share (cents per share)	**30.9**	**21.1**
Diluted earnings per share		
Profit attributable to ordinary equity holders ($000)	15,549	9,828
Share based payment expense ($000)	280	149
Numerator: Profit attributable to ordinary equity holders adjusted for the effect of dilution ($000)	15,829	9,977
Weighted average number of ordinary shares (thousands)	50,241	46,659
Weighted average number of share rights (thousands)	2,393	1,278
Denominator: Weighted average number of ordinary shares adjusted for the effect of dilution (thousands)	52,634	47,937
Diluted earnings per share (cents per share)	**30.1**	**20.8**

26. DIVIDENDS

	2015 $000	2014 $000
Recognised amounts:		
Final dividend for prior year: 8.0 cents (2014: 7.5 cents)	4,019	3,191
Interim dividend for current year: 8.0 cents (2014: 7.0 cents)	4,020	3,517
	8,039	**6,708**
Unrecognised amounts:		
Final dividend for current year: 8.0 cents (2014: 8.0 cents)	4,019	4,019

27. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group has operating lease agreements in relation to land, buildings, vehicles and office equipment, ranging from less than one year to 30 years. Land lease contracts contain periodic market review clauses, and one building lease contract contains a five year right of renewal. The Group has the following commitments as lessee under non cancellable operating lease agreements:

	2015 $000	2014 $000
Not later than one year	938	959
Later than one year but not later than two years	762	879
Later than two years but not later than five years	1,689	1,829
After five years	4,151	2,169
	7,540	**5,836**

The Group as lessor

The Group leases the majority of its helicopter fleet across a range of customers involved in oil, gas and mineral exploration as well as emergency, medical, tourism and charter markets on leases ranging from less than one year to five years. The Group also leases its Boeing 737 fleet to freight operators in New Zealand, Australia and Europe, and to an airline in Europe. Long term lease contracts contain market review clauses. The Group has established the following rights to receive payments as lessor under non-cancellable operating lease agreements:

	2015 $000	2014 $000
Not later than one year	43,479	38,977
Later than one year but not later than two years	33,908	25,910
Later than two years but not later than five years	34,029	48,481
After five years	3,897	17,361
	115,313	**130,729**

The Group has also signed operating lease agreements in relation to Boeing 737 aircraft that are undergoing freighter conversion at balance date. Lease receipts relating to any aircraft not delivered to its customer at balance date are not included above.

28. CAPITAL COMMITMENTS

At 30 June 2015, the Group had capital commitments related to aircraft and inventory purchases totalling $20,048,000 (2014: $14,547,000), of which $13,343,000 is expected to be incurred in the year ending 30 June 2016.

29. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Commercial dispute

The Group has initiated legal action to enforce its rights under a commercial contract. The Group has a contingent asset in relation to this dispute since its realisation is dependent on future events not wholly within the control of the Group. The Group has taken a prudent approach to the recognition of revenue and receivables in respect of this contract due to uncertainties created by the commercial dispute (refer Note 1).

Lawsuits and other claims

Where the Group concludes that its defence will more likely than not be successful, such lawsuits or claims are considered a contingent liability and no provision is recognised. When it is more likely than not that the Group will be liable and that there will be an outflow of resources to settle a lawsuit or claim, a provision is recognised, unless the amount cannot be measured reliably.

Guarantees

The Group has issued a guarantee to ANZ Bank limited to 50% of the debt of Allway Logistics Limited, amounting to $3,529,000 at 30 June 2015.

Letters of credit and performance bonds

The Group has issued letters of credit and performance bonds of $218,000 (2014: $87,000). The Group treats these contracts as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the instrument.

Fixed and floating charges

One fixed and floating charge has been prepared in favour of CBA. The relevant charger is Heli Holdings Pty Limited. The maximum liabilities under the relevant charge are A$3.5 million (2014: A$3.5 million).

30. RELATED PARTY DISCLOSURES

The ultimate holding company is Airwork Holdings Limited. Interests in associate, joint venture and subsidiary companies are set out in Notes 15 and 16.

In addition to transactions disclosed elsewhere in these financial statements, the Group transacted with the following related parties during the period.

NAME AND NATURE OF RELATIONSHIP OF RELATED PARTY	TYPE OF TRANSACTION	2015 VALUE OF TRANSACTIONS RECEIVED/(PAID) $000	2014 VALUE OF TRANSACTIONS RECEIVED/(PAID) $000
(i) Directors			
Hugh Jones			
Hugh Jones is a director and shareholder of Airwork Holdings Limited.	Director's fees	(51)	(41)
Airlift Trading Limited			
Hugh Jones is the sole director and shareholder of Airlift Trading Limited. Airlift Trading Ltd owns a Bell 427 helicopter, ZK-HVN, which is leased to Airwork under a commercial lease arrangement.	Engineering services	136	63
	Lease of helicopter	(330)	(82)
	Lessee expenses	(27)	(20)
Airlift Holdings Limited			
Hugh Jones is the sole director and shareholder of Airlift Holdings Limited.	Subordinated loan	–	(5,000)
	Interest on subordinated loan	–	(164)
Michael Daniel			
Michael Daniel is a director and shareholder of Airwork Holdings Limited.	Director's fees	(51)	(41)
Robin Flannagan			
Robin Flannagan is a director of Airwork Holdings Limited.	Director's fees	(51)	(17)
	Consulting fees	–	(24)
Christopher Hunter			
Christopher Hunter was a director of Airwork Holdings Limited.	Director's fees	(13)	(17)
	Consulting fees	–	(24)
Alan Sain			
Alan Sain is a director of the Group's Australian subsidiary companies	Director's fees plus expenses	(2)	(2)
(ii) Other Related Parties			
Key management personnel			
Key management personnel compensation:	Short term employee benefits	(2,326)	(2,046)
	Long term equity incentive plan	(115)	(61)
Heliport Lease Holdings Limited			
Heliport Lease Holdings Limited is a 33.3% owned associate of Airwork; this company owns a leasehold property that Airwork partly leases under a commercial lease arrangement	Building rent and rates	(177)	(177)
	Accounting services	6	6
	Dividend	–	25
Inflite Charters Limited			
Inflite Charters Limited is a 50% owned joint venture of Airwork; this company is an aircraft charter operation, based in New Zealand	Charter of aircraft	(69)	(95)
	Other purchases	(14)	–
	Engineering services	401	419
	Operations and crewing charges	1,473	1,753
Allway Logistics Limited			
Allway Logistics Limited is a 50% owned joint venture of Airwork; this company is an aircraft leasing operation, based in Hong Kong	Sale of helicopter	4,677	6,927
	Engineering services	2,413	695
	Subscription for shares	–	(3,391)

With effect from 7 March 2013, Condor Holdings Limited ("Condor"), a company owned and controlled by Hugh Jones, acquired and agreed to hold 4.1 million shares in the Company for certain borrowers, including certain senior executives and employees. Condor has lent the relevant borrowers $4.1 million at a commercial rate of interest, with 10% of the principal of such loans to be repayable over a period of up to 10 years. The loans have recourse to the shares held, supported in certain cases by a guarantee. Repayments of interest and part repayments of principal are to be made from Dividends paid. The relevant borrower may sell a sufficient number of shares to enable further repayments of principal, to enable total principal repayments of 10% of the initial loan amount each year. Accordingly up to 10% of the shares held by Condor may on each 12 month anniversary of 7 March be sold, subject to compliance with the Company's Securities Trading Policy, or will be transferred to the relevant borrower and released from the funding arrangements. Some of the shares held subject to the funding arrangements may become beneficially owned by Condor if the conditions of transfer are not satisfied or if a relevant borrower ceased to be employed by the Group or the commercial loans are not repaid when required. Neither the Company, nor any other member of the Group, has provided any funding to Condor, and has no rights to control Condor or the discretions Condor has under the funding arrangements.

	2015 $000	2014 $000
Amounts receivable from/(payable to) related parties:		
Airlift Trading Limited		
› Trade receivables	6	–
› Trade payables	(51)	(2)
Inflite Charters Limited:		
› Trade receivables	215	203
› Trade payables	–	(34)
Allway Logistics Limited	73	65
Heliport Lease Holdings Limited	–	(5)

31. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

	2015 $000	2014 $000
Net profit/(loss) after taxation for the year	**15,549**	**9,828**
Add/(deduct) non cash items:		
Depreciation, amortisation and impairment expenses	23,552	29,479
Movements in fair value of derivative financial instruments	3	3,107
Unrealised foreign exchange (gains)/losses	(612)	23
Accounts receivable impairment losses, provisions and write offs	84	287
Equity accounted earnings of associate and joint venture companies	(890)	(287)
Inventory impairment provisions and write offs	626	965
Share based payments expense	280	149
Increase/(decrease) in deferred tax liability	(4,648)	823
(Increase)/decrease in deferred tax asset	510	–
	34,454	**44,374**
Add/(deduct) movements in working capital:		
(Increase)/decrease in accounts receivable	(6,682)	3,721
(Increase)/decrease in inventory and work in progress	1,029	(8,083)
(Increase)/decrease in income tax receivable	(253)	–
(Increase)/decrease in other assets	566	45
Increase/(decrease) in accounts payable	7,786	127
Increase/(decrease) in provision for employee entitlements	1,237	363
Increase/(decrease) in income tax payable	3,449	(1,546)
Increase/(decrease) in other liabilities	(1,488)	5,926
	40,098	**44,927**
Add/(deduct) items classified as investing activity:		
Net (surplus)/deficit on sale of property, plant and equipment	(73)	(321)
Net cash flows from operating activities	**40,025**	**44,606**

32. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's principal financial instruments (other than derivatives) comprise: cash and cash equivalents; loans (comprising: bank loans; finance lease liabilities; and subordinated debt); accounts receivable; accounts payable; certain other liabilities; and equity investments. The Group also enters into derivative transactions, principally interest rate and foreign currency contracts. The purpose is to manage the interest rate and foreign exchange risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are: interest rate risk (including fair value interest rate risk); liquidity risk; foreign currency risk; and credit risk.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the Statement of Accounting Policies.

(i) Fair value of financial instruments

All financial assets and financial liabilities recognised in the Balance Sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes. The methods for estimating fair values are outlined in the relevant notes to the financial statements.

(ii) Interest rate risk management

The Group is exposed to interest rate risk as it may borrow at both fixed and floating interest rates. The policy of the Group allows for the management of interest rate exposures by balancing the levels of debt held at fixed versus floating interest rates. The Group's policy defines 'Fixed Rate' as an interest rate re-pricing date beyond 12 months forward on a continuing rolling basis; 'Floating Rate' is defined as an interest rate re-pricing within 12 months.

The Group has a policy of analysing its debt into Core Debt and Working Capital Debt. Working Capital Debt is not managed for its interest rate risk because of its short term nature. The Group's policy requires the interest rate profile for Core Debt to be within the following limits:

- Minimum debt on fixed rates 50%; and
- Maximum debt on fixed rates 90%.

To manage interest rate risk and volatility, the Group's policy provides for interest rate swaps and collars to be used, whereby the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to a specified notional principal amount. At 30 June 2015, 75% (2014: 49%) of the Group's borrowings, including the impact of interest rate swaps and collars, are at a fixed rate of interest.

The following table details the Group's exposure to interest rate repricing risk at balance date:

		TOTAL $000	LESS THAN 1 YEAR $000	1-2 YEARS $000	3-5 YEARS $000	MORE THAN 5 YEARS $000
2015	**Floating rate instruments:**					
	Financial assets					
	› Cash and cash equivalents	3,220	3,220	–	–	–
	Financial liabilities					
	› Multi-currency cash advances facility	121,631	121,631	–	–	–
	Fixed rate instruments:					
	Financial liabilities					
	› Interest rate contracts: receive floating and pay fixed (notional amount)	91,071	–	48,479	42,592	–
2014	**Floating rate instruments:**					
	Financial assets					
	› Cash and cash equivalents	2,434	2,434	–	–	–
	Financial liabilities					
	› Multi-currency cash advances facility	48,414	48,414	–	–	–
	Fixed rate instruments:					
	Financial liabilities					
	› Term Loan	6,391	6,391	–	–	–
	› Interest rate contracts: receive floating and pay fixed (notional amount)	26,995	–	–	26,995	–

Interest on financial instruments classified as floating rate instruments have their rates re-priced at intervals of less than one year. Instruments classified as fixed rate instruments are fixed until the maturity of the instrument.

The following table details the weighted average interest rate of the Group's financial liabilities at balance date:

	2015 %	2014 %
Financial liabilities		
Multi-currency cash advances facility:		
› NZD loans	4.61%	4.67%
› USD loans	2.07%	2.33%
› AUD loans	–	3.71%
Term loans	–	4.61%
Interest rate contracts: receive floating; pay fixed	1.32%	1.50%

The Group regularly analyses its interest rate risk exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date:

	NET PROFIT AFTER TAX HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2015 $000	2014 $000	2015 $000	2014 $000
+ 1% (100 Basis Points)	(197)	(186)	(197)	(186)
– 1%	197	186	197	186

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity changes as levels of borrowings change.

The Group has a policy of ensuring that its exposure to changes in interest rates on borrowings is predominantly on a fixed basis.

(iii) Liquidity risk management

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and financial liabilities. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and maintains adequate headroom on its credit facilities. Subject to the Company's request and CBA's approval, the Group's multi-currency cash advances facility agreement provides for an annual extension of the facility's termination date at each anniversary date of signing the agreement.

At 30 June 2015, 6% of the Group's debt will mature in less than one year (2014: 16%).

The table below reflects all undiscounted contractual commitments for repayments and interest resulting from recognised financial liabilities at 30 June 2015. For derivative financial instruments the market value is presented, whereas for the other obligations the contractual undiscounted cash flows for the upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2015.

		BALANCE SHEET $000	CONTRACTUAL CASH FLOWS $000	1 YEAR OR LESS $000	1-2 YEARS $000	3-5 YEARS $000	MORE THAN 5 YEARS $000
2015	**Financial liabilities**						
	Accounts payable	16,865	16,865	16,865	–	–	–
	Employee entitlements (vested)	5,839	5,839	5,839	–	–	–
	Other liabilities	11,089	11,089	7,199	3,890	–	–
	Loans	121,342	133,423	12,733	35,891	84,799	–
	Derivative financial instruments	1,488	1,488	844	363	281	–
		156,623	**168,704**	**43,480**	**40,144**	**85,080**	**–**
2014	**Financial liabilities**						
	Accounts payable	10,977	10,977	10,977	–	–	–
	Employee entitlements (vested)	4,667	4,667	4,667	–	–	–
	Other liabilities	15,281	15,281	12,779	2,298	204	–
	Loans	54,794	60,240	16,239	7,468	36,533	–
	Derivative financial instruments	317	317	38	41	238	–
		86,036	**91,482**	**44,700**	**9,807**	**36,975**	**–**

At 30 June 2015 the Group had $70,484,000 (2014: $27,879,000) of unused approved credit facilities.

32. FINANCIAL INSTRUMENTS (CONT.)

(iv) Foreign currency risk management

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk in relation to certain imported assets (primarily aircraft, inventory and parts purchases), insurance premiums, trading balances (accounts receivable and accounts payable), and loan values denominated in currencies other than the New Zealand dollar. These exposures arise through the Group's offshore trading businesses and export trading activities from New Zealand.

The Group is exposed to foreign currency risk as a result of its foreign operations. The risk to the Group is that the value of the overseas subsidiary companies' financial positions and financial performances will fluctuate in economic terms and as recorded in the Group's consolidated financial statements due to changes in foreign currency exchange rates. The Group does not currently hedge this risk.

Within the aviation industry, aircraft asset values (including parts) are usually transacted in US$, therefore the Group's ultimate exposure to the realisation of residual aircraft asset values is in US$. Where the Board considers appropriate, borrowings will also be denominated in US$.

Foreign currency receipts are generally not hedged but may be designated as a natural hedge of payments in the same currency. The Group's policy provides for the use of the following foreign exchange management products, provided that they are used to hedged specific operational transactions where the purchase commitment is unconditional: spot and forward foreign exchange contracts; currency options (purchased only); currency collar options (1:1 only); and foreign currency deposits.

The following table sets out the Group's exposure the foreign currency risk in relation to financial assets and financial liabilities at balance date:

	RESTATED IN	US$ NZ$000	AU$ NZ$000	EURO NZ$000	ZAR NZ$000
2015	Cash and cash equivalents	1,436	1,301	421	45
	Accounts receivable	10,467	3,049	962	112
	Derivative financial instruments (notional amount)	–	–	4,190	–
	Total financial assets	**11,903**	**4,350**	**5,573**	**157**
	Accounts payable	5,122	581	1,219	5
	Loans	86,473	–	–	–
	Derivative financial instruments (notional amount)	4,940	–	–	–
	Other liabilities	7,696	505	535	–
	Total financial liabilities	**104,231**	**1,086**	**1,754**	**5**
	Net Balance Sheet exposure	**(92,328)**	**3,264**	**3,819**	**152**
2014	Cash and cash equivalents	2,063	256	6	107
	Accounts receivable	6,166	3,156	–	1
	Derivative financial instruments (notional amount)	–	–	3,173	–
	Total financial assets	**8,229**	**3,412**	**3,179**	**108**
	Accounts payable	2,055	827	296	61
	Loans	22,234	1,641	–	–
	Derivative financial instruments (notional amount)	3,173	–	–	–
	Other liabilities	1,431	481	2,065	–
	Total financial liabilities	**28,893**	**2,949**	**2,361**	**61**
	Net Balance Sheet exposure	**(20,644)**	**463**	**818**	**47**

The net US$ exposure in the table above relates predominantly to loans put in place to mitigate the Group's exposure to the underlying US$ values of fixed wing aircraft.

The following sensitivity analysis is based on the foreign exchange exposures in relation to financial assets and financial liabilities at balance date:

	NET PROFIT AFTER TAX HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2015 $000	2014 $000	2015 $000	2014 $000
+ 10%	167	139	(9,703)	(2,013)
– 10%	(204)	(170)	11,859	2,460

(v) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group and Company to credit risk consist primarily of: cash and cash equivalents; accounts receivable; and derivative financial instruments. The credit risk on cash and cash equivalents and derivative financial instruments is limited because the counterparties are financial institutions with at least a long term investment grade credit rating.

While the Group may be subject to losses up to the contract value of the instruments in the event of non performance by the counterparties, it does not expect such losses to occur. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating (if available), financial position, past experience and industry reputation. Credit risk limits are set for each individual customer in accordance with parameters set by the Board. Ongoing credit evaluation is performed on the financial condition of accounts receivable and customers' compliance with credit terms. Accounts receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

One customer, with whom the Group has a long term contract, represents approximately 21% (2014: 27%) of the Group's revenue; the Group reviews its exposure to this customer on a regular basis to ensure the risk remains acceptable. Another customer, with whom the Group has a long term contract, represents approximately 11% (2014: 10%) of the Group's revenue; this customer is wholly owned by the New Zealand Government and, as such, the Group believes the risk is acceptable. The Group does not have any other significant concentrations of credit risk.

The Group's policy does not require collateral to support financial instruments subject to credit risk although collateral is held in relation to certain customers in the form of security deposits and prepaid lease charges, and one customer in the form of a bank guarantee. In addition, registered security interests, Romalpa clauses, parent company and personal guarantees may be obtained in support of the financial performance of certain customers.

The Group measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any collateral and allowance for losses, represents the Group's maximum exposure to credit risk. The maximum exposure to credit risk at balance date is as follows:

	2015 $000	2014 $000
Cash and cash equivalents	3,220	2,434
Accounts receivables (net of impairment losses)	20,398	12,965
	23,618	**15,399**
Collateral:		
› Bank guarantees	(2,220)	(1,729)
› Security deposits	(1,848)	(581)
› Prepaid income	(3,341)	(1,132)
	16,209	**11,957**

Amounts disclosed as collateral are limited to the gross value of the receivable balance.

The ageing profile of trade receivables at balance date is disclosed in Note 9.

32. FINANCIAL INSTRUMENTS (CONT.)

(vi) Capital management

When managing capital, the Board of Directors' (the "Board") objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity is achieved.

The Board is constantly reviewing and adjusting the capital structure to take advantage of favourable costs of capital. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board also monitors its profitability, debt servicing ability and equity/asset ratios to ensure that the Group meets its banking covenants. The Group satisfied its banking covenants throughout the year.

(vii) Financial instruments at fair value

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels one to three depending on the degree to which fair value is observable:

- Level one: fair value in an active market – the fair value of financial instruments traded in active markets for the same instruments based on their quoted market prices at reporting date without any deduction for estimated future selling costs. Financial instruments are priced at current bid prices;
- Level two: fair value in an inactive or unquoted market using valuation techniques and observable market data – the fair value of financial instruments that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data; and
- Level three: fair value in an inactive or unquoted market using valuation techniques without observable market data – the fair value of financial instruments that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.

		LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2015	**Liabilities**				
	Derivatives classified as hedge accounted	–	1,488	–	1,488
	Total liabilities	**–**	**1,488**	**–**	**1,488**
2014	**Liabilities**				
	Derivatives classified as hedge accounted	–	317	–	317
	Total liabilities	**–**	**317**	**–**	**317**

(viii) Categories of financial assets and financial liabilities

		LOANS AND RECEIVABLES $000	AVAILABLE FOR SALE FINANCIAL ASSETS $000	DERIVATIVES CLASSIFIED AS HELD FOR TRADING $000	DERIVATIVES CLASSIFIED AS HEDGE ACCOUNTED $000	FINANCIAL LIABILITIES AT AMORTISED COST $000	TOTAL $000
2015	**Assets**						
	Cash and cash equivalents	3,220	–	–	–	–	3,220
	Accounts receivable	20,398	–	–	–	–	20,398
	Total financial assets	23,618	–	–	–	–	23,618
	Non financial assets						249,614
	Total assets						273,232
	Liabilities						
	Accounts payable	–	–	–	–	16,865	16,865
	Employee entitlements (vested)	–	–	–	–	5,839	5,839
	Other liabilities	–	–	–	–	12,221	12,221
	Derivative financial instruments	–	–	–	1,488	–	1,488
	Loans	–	–	–	–	121,342	121,342
	Total financial liabilities	–	–	–	1,488	156,267	157,755
	Non financial liabilities						15,298
	Total liabilities						173,053
2014	**Assets**						
	Cash and cash equivalents	2,434	–	–	–	–	2,434
	Accounts receivable	12,965	–	–	–	–	12,965
	Total financial assets	15,399	–	–	–	–	15,399
	Non financial assets						169,307
	Total assets						184,706
	Liabilities						
	Accounts payable	–	–	–	–	10,977	10,977
	Employee entitlements (vested)	–	–	–	–	4,667	4,667
	Other liabilities	–	–	–	–	15,281	15,281
	Derivative financial instruments	–	–	–	317	–	317
	Loans	–	–	–	–	54,794	54,794
	Total financial liabilities	–	–	–	317	85,719	86,036
	Non financial liabilities						9,905
	Total liabilities						95,941

33. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 June 2015.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AIRWORK HOLDINGS LIMITED

Report on the Financial Statements

We have audited the financial statements of Airwork Holdings Limited ("the Company") on pages 13 to 47, which comprise the balance sheet as at 30 June 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of other assurance, advisory and tax services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the financial statements on pages 13 to 47 present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland
27 August 2015

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand

CORPORATE GOVERNANCE

Good corporate governance is an essential ingredient for a successful company. Airwork is committed to working to meet stakeholder and community expectations of robust and best practice corporate governance. The Board of Directors is responsible for ensuring that Airwork has an appropriate corporate governance framework in place to add value for its stakeholders through effective oversight, strong risk management and well defined processes. This requires that appropriate accountability and control systems are in place.

Airwork has securities listed on the New Zealand stock exchange (NZX). Accordingly, Airwork's corporate governance framework is influenced by a number of factors, including the principles, guidelines, recommendations and requirements of the NZX Listing Rules (including the NZX Corporate Governance Best Practice Code) and the Financial Markets Authority's 'Corporate Governance in New Zealand Principles and Guidelines'. Airwork's corporate governance framework includes Airwork's constitution, the Corporate Governance Code (which includes the Code of Ethics, and Audit Committee Charter), and various policies including a Delegated Authority Policy, Continuous Disclosure Policy and Securities Trading Policy.

This corporate governance statement outlines Airwork's main corporate governance practices. Airwork's corporate governance principles do not differ materially from the NZX Corporate Governance Best Practice Code. Areas of difference from the Code are specifically described below.

BOARD ROLE AND RESPONSIBILITIES

The role of the Board is to direct the management of Airwork and its businesses while enhancing the interests of its shareholders and taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Constitution provides that the business and affairs of the Airwork Group are to be managed by or under the direction of the Board.

The Board has adopted a formal Corporate Governance Code which details the Board's role, powers, duties and functions, the matters it has reserved for its own consideration and decision-making, and the authority it has delegated to the Chief Executive Officer and Management. The Corporate Governance Code and the delegations of authority are reviewed regularly.

The Board's main functions include:

(a) approving and, from time to time, reviewing the strategic direction of the Company;

(b) ensuring the Company has adequate management to achieve its objectives and to support the Chief Executive Officer, and that a satisfactory plan for management succession is in place;

(c) reviewing and approving the strategic, business and financial plans prepared by management, and developing a depth of knowledge of the Company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgment on the probability that such plans can be achieved;

(d) reviewing and approving individual investment and divestment decisions which the Board has determined should be referred to it before implementation;

(e) reviewing and approving material transactions not in the ordinary course of the Company's business;

(f) approving the appointments by, or at the request of, the Company (including its affiliates) to the boards of directors of subsidiary and associate companies;

(g) monitoring the Company's performance against its approved strategic, business and financial plans and overseeing the Company's operating results on a regular basis so as to evaluate whether the business is being properly managed;

(h) ensuring ethical behaviour by the Company, the Board and management, including compliance with the Company's Constitution and policies, the relevant laws, listing rules and regulations, and the relevant auditing and accounting principles;

(i) implementing and, from time to time, reviewing the Company's Code of Ethics, fostering high standards of ethical conduct and personal behaviour, and holding accountable those directors, managers or other employees who engage in unethical behaviours; and

(j) ensuring the quality and independence of the Company's external audit process.

In accordance with Airwork's Corporate Governance Code, the Board will from time to time assess its own effectiveness, and that of its Committees, in carrying out these functions and the other responsibilities.

The Board has delegated day to day management of the Company to the Chief Executive Officer and the other executives of the Company. The Board acknowledges that its key roles include providing high-level counsel to the Chief Executive Officer, constantly monitoring the performance of the Chief Executive Officer against the Board's requirements and expectations, and taking timely action if the objectives of the Company are not being achieved or a correction to management is required. In addition to the information provided at Board meetings, the Board receives regular reports on the operation and performance of each part of the Airwork Group.

INDEPENDENT PROFESSIONAL ADVICE

The Company's Corporate Governance Code provides that each Director of the Company may obtain independent advice at the expense of the Company on issues related to the fulfillment of his or her duties as a director, subject to obtaining the approval of the Audit Committee prior to incurring any fees.

BOARD COMPOSITION, INDEPENDENCE AND DIVERSITY

BOARD COMPOSITION

The Company's policies determine that the Board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance and cohesion, and match the demands facing the Company.

The Board of Directors is currently comprised of three directors, all of whom are non-executive directors. Chris Hunter, who was a director at the commencement of the 2015 financial year, retired from the board at the conclusion of the Annual Meeting of Shareholders held on 21 October 2014. Mr Hunter has not yet been replaced on the Board.

The directors are:

Michael (Mike) Daniel	Appointed as a director in 2009, and appointed as Chairman in 2013. A former stockbroker, Mike has held directorships with the following organisations: GSB Supplycorp Limited, Force Corporation Limited, Northland Health Limited, Northpower Limited, Sea Tow Limited, SKYCITY Leisure Limited, Elders Norstock Limited (Chairman), Northland Port Corporation Limited (Chairman), and Pan Pacific Petroleum NL. He is Chairman of the R Tucker Thompson Youth Sailing Trust.
Hugh Jones	Appointed as a director in 1991. Formerly an executive director and Chairman of the Board. Hugh has over 40 years experience in the aviation industry. Prior to purchasing Airwork in 1984, Hugh owned Helicopter Specialties Limited, a helicopter leasing and support company. Hugh was a member of the board of the Civil Aviation Authority of New Zealand from 1992 to 1997.
Robin (Rob) Flannagan ACA OPM (Harvard) AMInstD JP	Appointed as a director in 2013. Rob was Chief Executive Officer of TOWER New Zealand from October 2006 to June 2013, and was a director from March 2008. He was previously a partner of Arthur Young Chartered Accountants. Rob was co-founder of Medic Aid, a medical insurance company which during his time became the second largest medical insurer after Southern Cross. Rob has held positions as Managing Director of the New Zealand Guardian Trust Company Limited, director of a number of Royal Sun Alliance New Zealand companies and Chief Information Officer of the Promina Group, and is currently Chairman of the Financial Services Council of New Zealand.

The Company's constitution sets out the policy and process for appointment and retirement of directors. One third of the directors (or the number nearest to one third) are to retire each year by rotation. Mike Daniel will retire this year and, being eligible, offers himself for re-election.

INDEPENDENCE

In order for a director to be considered independent, he or she must not be an executive of the Company and must have no disqualifying relationship in terms of the NZX Listing Rules. The Board has determined that, as at the balance date, being 30 June 2015, the following directors are independent within the meaning of the NZX Listing Rules:

- Mike Daniel — Chairman
- Rob Flannagan — Chair Audit Committee

Hugh Jones is not independent.

GENDER DIVERSITY

The gender composition of the Company's directors and officers at the prior two balance dates was:

	At 30 June 2015	At 30 June 2014
Directors	3 Male / 0 Female	4 Male / 0 Female
Officers	9 Male / 0 Female	7 Male / 0 Female

BOARD COMMITTEES

The Company has established an Audit Committee. Because of the Company's small size, the Board acts as the Nominations and Remuneration Committees contemplated by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee is comprised solely of non-executive directors and operates under a written Charter, appended to the Airwork Corporate Governance Code. The Committee has oversight of the Board and assists it to fulfil its responsibilities in the areas of financial reporting, audit functions, risk management and control.

The Committee aims to meet a minimum of three times a year. Given the small size of the Board, all directors are currently members of the Audit Committee. Rob Flannagan, who is an Independent Director, is the Chair of the Committee. The other members of the Committee are Mike Daniel and Hugh Jones.

The Committee is to review its objectives and responsibilities annually, and the performance of the Committee is to be reviewed by the Board at least once a year.

ATTENDANCE AT MEETINGS

	Board		**Audit Committee**	
	Eligible Meetings	Meetings Attended	Eligible Meetings	Meetings Attended
Mike Daniel	9	9	2	2
Hugh Jones	9	9	2	2
Rob Flannagan	9	9	2	2
Chris Hunter(1)	3	1	1	1

Note: (1) Chris Hunter retired as a director of the Company on 21 October 2014.

INTERESTS REGISTER

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

DIRECTORS' USE OF INFORMATION

During the financial year, no Director issued a notice to use information received by them in the capacity as directors and which would not otherwise have been available to them.

DIRECTORS' INTERESTS

The following general disclosures of interests have been made by the Directors in terms of section 140(2) of the Companies Act 1993. Disclosures made or adjusted during the financial year are marked with an asterisk [*]. Each Director is regarded as interested in all transactions between the Company (and its subsidiaries) and the disclosed entity.

	Director's Interests	Nature of Interest
Hugh Jones	Airlift Holdings Ltd	Director and sole shareholder
	Airlift Trading Ltd	Director and sole shareholder
	Airlift USA LLC	Director and shareholder
	Alliance Aviation Services Ltd	Shareholder
	Alliance Airlines Pty Ltd	Shareholder in the parent company
	Condor Holdings Ltd	Director and shareholder
	Pacific Turbine Brisbane Pty Ltd	Shareholder
	Condor Holdings Property One Ltd	Director and shareholder
Mike Daniel	N3 Ltd	Director/Shareholder
	NZX Ltd	Shares held by associated persons
	Link Market Services Ltd	Shares in parent company (NZX Ltd) held by associated persons

	Director's Interests	Nature of Interest
Rob Flannagan	Monty & Associates Ltd	Director and Shareholder
	Complectus Ltd*	Director (resigned 8 August 2014, reappointed 19 December 2014)
	New Zealand Guardian Trust Company Ltd	Chairman
	Global Film Solutions Ltd	Advisory Board director
	Ministry of Education	Independent director of the Ministry of Education Infrastructure Advisory Board
	Financial Services Council of New Zealand Inc.*	Chairman
Chris Hunter[1]	Hunter Consulting Services Ltd	Director and Shareholder
	Hunter Corporation Ltd	Director and Shareholder
	Argosy Property Ltd	Director
	Amalgamated Builders NI Ltd	Director and Shareholder

Note: (1) Chris Hunter retired as a director of the Company on 21 October 2014.

DIRECTORS' SHARE DEALINGS

The Company has adopted a Securities Trading Policy and Guidelines, which applies to all directors and officers of the Airwork Group who intend to trade in Airwork Holdings Limited listed securities.

	Date of Transaction	Consideration per security	Number purchased/ (sold)	Nature of transaction
Hugh Jones	9 Sep 2014	Nil	(371,966)	Shares transferred to beneficial owners pursuant to the terms of the Condor funding arrangement
Michael Daniel	29 Aug 2014	$2.75	300,000	On-market purchase
	1 Sep 2014	$2.76	100,000	On-market purchase
	2 Sep 2014	$2.74	50,000	On-market purchase
	10 Sep 2014	$2.75	5,355	On-market purchase
	11 Sep 2014	$2.78	4,645	On-market purchase
	22 Sep 2014	$2.90	37,815	On-market purchase
	24 Sep 2014	$3.00	2,185	On-market purchase
	16 Oct 2014	Nil	(340,000)	Off-market transfer of shares held in trust to trust beneficiary
Rob Flannagan	10 Sep 2014	$2.77	5,415	On-market purchase
Chris Hunter	–	–	–	–

DIRECTORS' SHAREHOLDINGS

	Beneficial Interest		**Non-Beneficial Interest**	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Hugh Jones	26,658,901	26,658,901	3,728,034	4,100,000
Michael Daniel	1,600,000	1,100,000	–	340,000
Rob Flannagan	5,415	–	–	–
Chris Hunter[1]	N/A	–	N/A	–

Note: (1) Chris Hunter retired as a director of the Company on 21 October 2014.

DIRECTORS' REMUNERATION

The remuneration paid to the Directors of the Company in respect of the financial year ended 30 June 2015 is set out below.

Mike Daniel	$50,500
Hugh Jones	$50,500
Rob Flannagan	$50,500
Chris Hunter[(1)]	$12,564

Note: (1) Chris Hunter retired as a director on 21 October 2014.

INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1933 and the constitution of the Company, the Company has entered into a Deed of Directors' Indemnity to indemnify the Directors of the Company, to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as Directors of the Company or any subsidiary. The Company has maintained directors' and officers' liability insurance, which provides the Directors and officers cover for the costs and expenses of successfully defending legal proceedings. The Company also took out a policy of Prospectus Liability Insurance, which provides cover for the company, its directors, officers, employees and selling shareholders against claims arising from the offering of the Company's securities.

DIRECTORS OF SUBSIDIARY COMPANIES

The following persons held office as directors of the Group's subsidiary companies during the financial year:

Company	Directors			
AFO Aircraft (NZ) Limited	HR Jones			
Airwork Flight Operations Limited	HR Jones			
Airwork (NZ) Limited	HR Jones			
Airwork (Europe) Limited	HR Jones	BJ Fouhy	CJ Hart	
Heli Holdings Limited	HR Jones			
Helilink Limited	HR Jones			
Contract Aviation Industries Limited	HR Jones			
Capital Aviation Investments Limited	HR Jones			
Airwork Flight Operations Pty Limited	HR Jones	A Sain	S Nair	
Airwork Heli Engineering Pty Limited	HR Jones	A Sain	S Nair	
Heli Holdings Pty Limited	HR Jones	A Sain	S Nair	
Airwork Personnel Pty Limited	HR Jones	A Sain	S Nair	
AFO Aircraft (Aus) Pty Limited	HR Jones	A Sain	S Nair	
Baxolex Pty Limited	CJ Hart	MS Hall	J Sterk	D Mouton
Helibip Pty Limited	CJ Hart	MS Hall	J Sterk	
Airwork Africa Pty Limited	CJ Hart	MS Hall	J Sterk	

Mr A Sain received $2,000 in director's fees for the year ended 30 June 2015. Other directors of the Company's subsidiaries do not receive any remuneration or other benefits in respect of their appointments. The remuneration and other benefits of employees acting as directors of subsidiaries are disclosed in the relevant banding of remuneration set out in the following section (Remuneration of Employees).

REMUNERATION OF EMPLOYEES

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees or former employees of Airwork Group companies, excluding directors, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year ended 30 June 2013. Remuneration includes salary, motor vehicle and other sundry benefits received in their capacity as employees.

Number of employees	Remuneration
30	$100,000 to $109,999
20	$110,000 to $119,999
16	$120,000 to $129,999
20	$130,000 to $139,999
10	$140,000 to $149,999
10	$150,000 to $159,999
12	$160,000 to $169,999
5	$170,000 to $179,999
5	$180,000 to $189,999
3	$190,000 to $199,999
7	$200,000 to $209,999
4	$210,000 to $219,999
5	$220,000 to $229,999
1	$240,000 to $249,999
1	$250,000 to $259,999
3	$280,000 to $289,999
1	$300,000 to $309,999
1	$400,000 to $409,999
1	$440,000 to $449,999
1	$460,000 to $469,999

Overseas based remuneration has been converted to New Zealand dollars using an average exchange rate for the financial year.

SHAREHOLDER INFORMATION

AIRWORK HOLDINGS LIMITED SECURITIES

The Company's securities are listed on the New Zealand stock exchange (NZX).

SPREAD OF SHAREHOLDERS AS AT 3 SEPTEMBER 2015

Size of Holding	Number of Holders	% of total holders	Number of shares held	% of total issued shares
1-1,000	76	13.33%	59,903	0.12%
1,001-5,000	255	44.74%	782,116	1.56%
5,001-10,000	121	21.23%	984,593	1.96%
10,001-50,000	78	13.68%	1,846,186	3.67%
50,001-100,000	11	1.93%	778,614	1.55%
Greater than 100,000	29	5.09%	45,790,086	91.14%
Totals	**570**	**100%**	**50,241,498**	**100%**

SUBSTANTIAL PRODUCT HOLDERS

According to the records of the Company and disclosures made under Section 280(1)(b) of the Financial Markets Conduct Act 2013, as at 30 June 2015 the substantial product holders in the company and their relevant interests were as set out below. The total number of ordinary shares issued at that date was 50,241,498.

Hugh Ross Jones	30,386,935	60.482%
Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones as trustees of HR Jones Family Trust(1)	13,065,210	26.005%
Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones as trustees of Hugh Jones Airwork Trust(1)	9,053,430	18.020%
Condor Holdings Limited(1) (which is owned and controlled by HR Jones, however Mr Jones is not the beneficial owner of all of the shares held in the Company)	3,728,034	7.420%
Airlift Trading Limited(1) (which is owned and controlled by HR Jones)	477,800	0.951%

Note: (1) These holdings are amalgamated into the holding of Hugh Ross Jones disclosed in the first line, and are not cumulative.

SUMMARY OF NZX WAIVERS

No waivers were granted by NZX in the 12 months to 30 June 2015, and no waivers were relied upon by the Company during that period.

Twenty Largest Shareholders (as at 3 September 2015)

Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones	13,065,210	26.00%
Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones	9,053,430	18.02%
Hugh Ross Jones	4,062,461	8.09%
Condor Holdings Limited	3,356,845	6.68%
Cogent Nominees Limited	1,874,294	3.73%
Michael Walter Daniel, Nigel Geoffrey Burton & Michael Murray Benjamin	1,800,000	3.58%
Superlife Trustee Nominees Limited	1,337,565	2.66%
Wayne John Collins	1,220,000	2.43%
New Zealand Superannuation Fund Nominees Limited	1,052,727	2.10%
FNZ Custodians Limited	1,037,969	2.07%
Investment Custodial Services Limited	847,200	1.69%
Custodial Services Limited	794,693	1.58%
New Zealand Permanent Trustees Limited	650,000	1.29%
James Lloyd Developments Limited	550,000	1.09%
Investment Custodial Services Limited	498,218	0.99%
Airlift Holdings Limited	477,800	0.95%
National Nominees New Zealand Limited	433,415	0.86%
Michael Murray Benjamin	409,000	0.81%
Kevin James Hickman & Joanna Hickman	340,000	0.68%
Maarten Arnold Janssen	331,700	0.66%
	43,192,527	**85.97%**

The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.

ANNUAL MEETING OF SHAREHOLDERS

The Company's annual meeting of shareholders will be held at 3:00pm on Wednesday 11 November 2015 at the offices of Link Market Services, Level 7, 21 Queen St, Auckland, 1010.

AUDITOR

PricewaterhouseCoopers have acted as auditors of the company, and have undertaken the audit of the financial statements for the June 2015 year. The remuneration paid to the auditors is set out in the Financial Statements.

DONATIONS

No donations were made by any Group company during the year ended 30 June 2015.

CALENDAR FOR 2016 FINANCIAL YEAR

Half Year Balance Date	31 December
Half Year Results Announced	February
Interim Report Published	March
Interim Dividend Paid	April
Full Year Balance Date	30 June
Full Year Results Announced	August
Annual Report Published	September
Annual Meeting	October
Final Dividend	October

CORPORATE DIRECTORY

COMPANY

Airwork Holdings Limited
PO Box 3271, Auckland 1140
New Zealand

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F +64 9 377 1664
www.airworkgroup.com

REGISTRATION NUMBER

241674

REGISTERED OFFICE

Level 4. 32-34 Mahuhu Crescent
Auckland
New Zealand

PRINCIPAL SUBSIDIARY COMPANIES

Airwork (NZ) Limited 487 Airfield Road, Papakura, Auckland	› Helicopter engineering and support services
Airwork Flight Operations Limited Laurence Stevens Drive, Mangere, Auckland	› Fixed wing charter, operations, engineering and support services
Airwork Flight Operations Pty Limited 8 Acacia Street, Brisbane Airport, Queensland, Australia	› Fixed wing charter, operations and support services
Heli Holdings Limited 487 Airfield Road, Papakura, Auckland	› Helicopter leasing
Helilink Limited 1 Solent Street, Mechanics Bay, Auckland	› Helicopter charter and operations
AFO Aircraft (NZ) Limited Level 4. 32-34 Mahuhu Crescent, Auckland	› Fixed wing leasing

DIRECTORS

Mike Daniel, Chairman (Independent)
Rob Flannagan (Independent)
Hugh Jones

SENIOR MANAGEMENT

Chris Hart	Chief Executive Officer
Brian Fouhy	Chief Financial Officer
Claude Alviani	Group General Manager, Airwork Flight Operations
Richard Pitt	General Manager Airwork (NZ)
Wayne Christie	General Manager Heli Holdings & Business Development
Greg Steele	Legal Services Manager & Company Secretary
Simon Lange	General Manager, Strategy & Planning
Brian Fair	Chief Information Officer
Phillip Stott	Group Safety and Quality Assurance Manager

COMPANY SECRETARY

Greg Steele

AUDITORS

PricewaterhouseCoopers

BANKERS

Commonwealth Bank of Australia, New Zealand Branch
ASB Bank Limited

SOLICITORS

Chapman Tripp

SHARE REGISTRAR

Link Market Services Limited
Level 7, Zurich House
21 Queen Street, Auckland 1010

Private Bag 91976
Auckland Mail Centre, Auckland 1142
New Zealand

T +64 9 375 5998
F +64 9 375 5990
E enquiries@linkmarketservices.co.nz

This Annual Report is signed for and on behalf of the Board of the Company by:

Michael Daniel
CHAIRMAN
25 September 2015

Robin Flannagan
DIRECTOR
25 September 2015

airwork
HOLDINGS LIMITED

WWW.AIRWORK.CO.NZ