# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

airwork
HOLDINGS LIMITED

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# CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30 JUNE 2017

**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 2017. This is my first letter to shareholders in my capacity as Chairman of the Board, following my appointment as a director on 20 March 2017.

Growth in the Fixed Wing Division enabled Airwork to deliver a positive result for the year ended 30 June 2017, in line with expectations. Net Profit After Tax of $24.8 million was 0.7% ahead of the prior year ($24.6 million). Earnings per share were 48.3 cents.

Total revenue and EBIT increased by 1.4% and 6.4% respectively on the prior year, due to significant expansion of the Fixed Wing Division, including the impact of contracts that commenced in the prior year. For FY17 the result included a net gain on insurance associated with an incident in August 2016 involving an Airwork owned aircraft, operated and maintained by a third party in Europe. The net gain has been offset by some non-recurring costs associated with the introduction of additional freighter aircraft in NZ and Australia.

Fixed Wing growth was partly offset by a reduction in the Helicopter Division, with a decline in revenue and EBIT of 12% and 35% respectively due to continued challenging market conditions, in particular within the resources sector, and the non-recurrence of certain high yielding short term contracts in the prior year. The helicopter leasing fleet increased by four aircraft during the year to 45 helicopters (39 owned), to support growth in tourism and emergency medical services activity.

## DIVIDEND

The Directors have declared a fully imputed dividend of nine (9.0) cents per share, with a record date of 12 September 2017 and payment date of 19 September 2017. The final dividend brings the total dividend for the year to 17.0 cents, consistent with the prior year (2016: 17.0 cents).

## BOARD, MANAGEMENT AND STAFF

Following the successful completion of the partial takeover of Airwork by Zhejiang Rifa Holding Group Co. Ltd on 17 March 2017, Hugh Jones and Rob Flannagan resigned as Directors of the Company. I would like to acknowledge and thank both Hugh and Rob for their years of service and contribution to the Company.

During the year we welcomed Martin Gray, Simon Craddock and Mark Pitt as Directors of the Company, alongside Mike Daniel and myself. I would like to acknowledge the contribution from my fellow Directors during the year, and look forward to our continued role as a Board providing strategic oversight and governance.

I would also like to acknowledge the Board's appreciation of the management team and the global Airwork team, for their significant efforts and continued dedication during the past year. The Company has again delivered a pleasing result reflecting the very high standard of professionalism of the Airwork team, in what has been another very busy and challenging year.

## OUTLOOK

Airwork's Helicopter Division will continue to focus on diversifying its customer base, redeploying unleased helicopters and expanding its global footprint. The Helicopter Division has seen a slow start to the new financial year as it continues to experience headwinds in the resources sector. However, the Company continues to see opportunities in the emergency services and tourism markets.

The Company expects earnings from its Fixed Wing Division at a similar level to the current year, with growth dependent on execution of opportunities for further investment and fleet expansion.

Airwork has commenced its strategic review of the China market and the potential opportunities that may exist. The Board will continue to support the New Zealand based management team to ensure a clear business strategy is in place to support Airwork's development in China, Australia, NZ, Southeast Asia, and other regions, so as to enhance its advantage and industry status. The Board will continue to evaluate its future growth strategy and capital requirements.

Jie Wu
**Chairman**
Airwork Holdings Limited

# CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 30 JUNE 2017

## OPERATIONAL REVIEW

Airwork delivered a positive result for the 2017 financial year. Growth in the Fixed Wing Division was driven by continued fleet expansion and the full year effect of contracts that commenced in the prior year. The Helicopter Division continued to face challenging market conditions, particularly in the resources sector, and the non-recurrence of certain high yielding contracts in the prior year.

Compared to the prior year, underlying net profit after tax for the year ended 30 June 2017 grew by 0.7% ($0.2 million), on the back of revenue and earnings growth in the Fixed Wing Division:

| | 2017 $000 | 2016 $000 | CHANGE |
|---|---|---|---|
| Total Revenue | 168,361 | 165,983 | 1.4% |
| Total Income | 183,059 | 165,983 | 10.3% |
| EBITDA | 87,910 | 69,019 | 27.4% |
| EBIT | 39,677 | 37,292 | 6.4% |
| NPAT | 24,766 | 24,604 | 0.7% |
| Return on Capital Employed | 14.2% | 14.0% | 0.2 ppt |
| Return on Capital Employed (excl. Capital WIP) | 14.7% | 16.8% | (2.1 ppt) |
| Return on Shareholders' Funds | 21.7% | 23.0% | (1.3 ppt) |
| Earnings per share - basic (cps) | 48.3 | 49.0 | (1.4%) |
| Dividends (cps) | 17.0 | 17.0 | – |

*Notes:*
- *EBITDA: Operating profit before depreciation, amortisation and impairment expenses*
- *EBIT: Operating profit after depreciation, amortisation and impairment expenses*
- *NPAT: Net profit after taxation*
- *Return on Capital Employed: EBIT divided by average total equity and debt less average cash and cash equivalents*
- *Return on Shareholders' Funds: NPAT divided by average shareholders' funds*

The 2017 financial year showed continued revenue growth for the Fixed Wing Division, up 15.9% ($12.8 million) from the prior year, with the benefit of further contract wins and the continued expansion of the Boeing aircraft leasing fleet. The Fixed Wing Division again delivered its customers with an exceptional on-time performance in Australia and in New Zealand, which was a pleasing result given the requirement to continue to operate route schedules whilst inducting new aircraft into the fleet throughout the year.

During the year the Fixed Wing Division commenced operations for a new ACMI customer in Australia, delivered two 737 300F aircraft to a new Dry Lease customer in South Africa, and finalised the B737 400F freighter conversions commenced in prior years; with all aircraft now on lease. Two further B737 400 passenger aircraft were purchased for a European operator, providing additional feeder stock for future freight conversions. One converted aircraft was involved in a landing incident in Europe in August 2016, with the aircraft written off, however the lease has now been replaced by the lease of another aircraft to the same customer. The net gain on insurance associated with the lost aircraft has been offset by some non-recurring costs associated with the introduction of additional freighter aircraft in NZ and Australia.

The New Zealand Parcelair operation is now operating with its full complement of three 737 400F aircraft, significantly expanding the capacity of our national air freight operation. Toll Priority's operations in Australia are also operating with the full complement of four 737 400F and one 737 300F aircraft. All the 737 300F aircraft that previously operated for Toll Priority and which were replaced with 737 400F aircraft have been re-leased to new customers.

The Fixed Wing Division will continue to focus on its dry lease fleet and ACMI customers, with expansion and new lease and contract opportunities assessed as they arise. We continue to see strong demand for freight aircraft around the world.

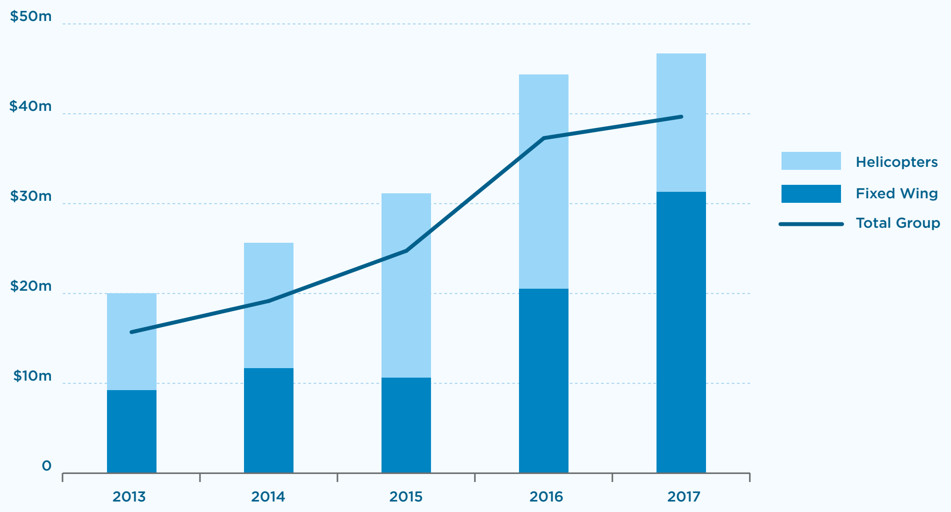
The Helicopter Division saw revenues and earnings decline due to continued challenging market conditions, in particular within the resources sector, and the non-recurrence of certain high yielding short-term contracts in the prior year.

The Helicopter Engineering business had some significant achievements including further customer growth for the Airwork Service Plan programme, which simplifies maintenance and service support for customers, and further customer growth off the back of increased certifications and the expanded facility in Auckland. New customers provided 10.9% of the Helicopter Engineering business' revenue. We have further invested in our sales and marketing capability to continue to grow our customer base.

The Helicopter Leasing operations added a net four helicopters to its operating fleet (no net change in owned helicopter numbers) and continued to redeploy helicopters from areas of market weakness to ones of growth.

At a Group level, operating profit after depreciation, amortisation and impairment expenses of $39.7 million shows continued growth year on year compared to the historic EBIT performance of the Group.

UNDERLYING EBIT



## OPERATING CASH FLOWS, CAPEX AND NET DEBT

Operating cash flows generated by the Group were strong, with underlying operating cash flows of $36.9 million compared to $33.7 million for the prior year.

| UNDERLYING OPERATING CASH FLOWS | 2017 $000 | 2016 $000 | 2015 $000 |
|---|---|---|---|
| Reported net cash flows from operating activities | 62,474 | 45,928 | 40,025 |
| Adjust for: | | | |
| › Insurance claim[1] | (14,698) | – | – |
| › Maintenance capex[2] | (10,878) | (12,274) | (9,736) |
| Underlying operating cash flows | 36,898 | 33,654 | 30,289 |

*Notes:*

1. *Insurance claim relates to the insurance proceeds from a landing incident involving a non-operated aircraft in August 2016;*
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 $57.6 million. Growth capex of $46.7 million for the year included: expansion of the Boeing freighter aircraft fleet and a new MRO system implementation ($39.9 million); expansion of the helicopter leasing fleet, the completion of the Ardmore Facility Expansion, and further certification development ($6.7 million); as well as Group finance and IT system upgrades ($0.1m).

Net debt was $156.8 million at 30 June 2017, a decrease of $2.8 million from the prior year. Net debt decreased by $3.9 million as a result of the impact of a stronger New Zealand dollar, revaluation of United States dollar denominated debt and the repayment of debt from insurance proceeds received ($14.7 million); however, this was partially offset by continued investment in growth capex net of operating cash flows.

In July 2017 the Group refinanced its debt facility with a newly established syndicated debt facility of approximately US$195.0 million providing secured debt funding to enable the Group to pursue new opportunities as they arise. At 30 June 2017, the balance sheet recorded $54.2 million of Loans as current liabilities based on the old facility maturity dates; under the new facility this would be $14.7 million. The refinancing resulted in an additional $82.0m of available debt facilities that can be drawn on subject to finding the right opportunities in the market.

## SHAREHOLDING, BOARD AND PERSONNEL CHANGES

In March 2017 Zhejiang Rifa Holding Group Co. Ltd completed a partial takeover of Airwork Holdings Ltd, acquiring 75% of the company's shares. The change in shareholding also resulted in some changes to the Board, with both Rob Flannagan and Hugh Jones leaving and Jie Wu, Simon Craddock, Mark Pitt and Martin Gray joining the Board. Mr Wu also took over the role of Chairman from Mike Daniel, with Mr Daniel remaining as a non-executive director.

I would like to acknowledge Rob and thank him for his contribution to the Company since he joined in 2013. The Airwork Group would also like to make special mention of Hugh Jones who, in his more than 30-year presence at Airwork developed and shaped Airwork from an underperforming company into a successful global business. We wish Hugh all the best for the future.

The new directors have brought a number of new perspectives and ideas to the Company, and the Board are guiding the refinement of our strategy as we look to the future, including the various opportunities presented in the China market.

There have also been some changes to the executive team, with Richard Pitt retiring after a distinguished career at Airwork NZ. Richard has been replaced by Shane McMahon, who comes to Airwork with an impressive background of senior management and global business development. Claude Alviani, our General Manager of Airwork Flight Operations, and Simon Lange, our Group Strategy Manager, have completed a role swap. Claude's initial focus will be on supporting our helicopter division as we continue to push for global expansion.

## THE YEAR AHEAD

We expect earnings from the Fixed Wing Division to remain at a level similar to the current year, with growth dependent on execution of opportunities for further investment and fleet expansion.

The Helicopter Division will continue to focus on diversifying its customer base, redeploying unleased helicopters and expanding its global footprint. The severe headwinds facing the helicopter industry in recent times appear to be abating with an increase in opportunities giving good signs of a potential recovery. Since year end the number of unleased helicopters has reduced from nine to six with the expectation of further reductions by the end of the first half of the financial year (H1 FY18).

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 positive result for the 2017 financial year, in line with our expectations.

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 and all stakeholders. 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.




FIRE CONTROL


TOLL

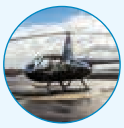
## OUR FLEET

Airwork owns and/or operates 45 helicopters (excluding trading inventory) and 19 fixed wing aircraft as at 30 June 2017, as shown below.

### FIXED WING FLEET

| | | NUMBER OWNED | NUMBER OPERATED | CAPACITY | CRUISE SPEED | MAX RANGE |
|---|---|---|---|---|---|---|
| **BOEING 737-300** |  | 4 freight | – | 17,000kg | 800kph | 6,000km |
| **BOEING 737-400** |  | 11 freight<br>4 passenger | – | 19,500kg<br>162 passengers | 800kph | 6,000km |

### HELICOPTER FLEET

| | | NUMBER OWNED | NUMBER OPERATED | CAPACITY | CRUISE SPEED | MAX RANGE |
|---|---|---|---|---|---|---|
| **EUROCOPTER AS 355 SERIES** |  | 8 | – | 6 passengers | 224kph | 627km |
| **EUROCOPTER / KAWASAKI BK-117** |  | 27 | 1 | 10 passengers | 231kph | 415km |
| **AGUSTA WESTLAND A109** |  | – | 1 | 5 passengers | 280kph | 532km |
| **EUROCOPTER AS 350 SERIES** |  | 3 | – | 6 passengers | 224kph | 600km |
| **MCDONNELL DOUGLAS 500** |  | 1 | – | 4 passengers | 224kph | 425km |
| **BELL 427** |  | – | 1 | 7 passengers | 240kph | 600km |
| **ROBINSON R44** |  | – | 2 | 3 passengers | 200kph | 560km |
| **EUROCOPTER EC 120B** |  | – | 1 | 4 passengers | 223kph | 710km |

# Financial Statements

# APPROVAL BY DIRECTORS

**Approval by Directors**

Your Directors have pleasure in presenting the Financial Statements for the year ended 30 June 2017.

The Directors have approved the Financial Statements of Airwork Holdings Limited for the year ended 30 June 2017 on pages 11 to 48.

Signed for and on behalf of the Board of Directors on 28 August 2017:

Jie Wu
**CHAIRMAN**

Martin Gray
**DIRECTOR**

## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

| | NOTES | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Fixed wing revenue | | 93,172 | 80,364 |
| Helicopter revenue | | 75,120 | 85,564 |
| Other revenue | | 69 | 55 |
| **Total revenue** | | **168,361** | **165,983** |
| Insurance income | 11 | 14,698 | – |
| **Total income** | **2** | **183,059** | **165,983** |
| Operating expenses | 3,4 | (95,743) | (98,502) |
| Equity accounted profits of associate and joint venture companies | 13 | 594 | 1,538 |
| **Operating profit before depreciation, amortisation and impairment expenses** | | **87,910** | **69,019** |
| Depreciation and amortisation expenses | 4 | (35,253) | (31,727) |
| Impairment expenses | 11 | (12,980) | – |
| **Operating profit after depreciation, amortisation and impairment expenses** | **2,4** | **39,677** | **37,292** |
| Finance income | 5 | 186 | 296 |
| Finance expenses | 5 | (6,536) | (5,429) |
| Other gains and losses | 6 | 291 | 1,047 |
| **Net profit before taxation** | | **33,618** | **33,206** |
| Income tax expense | 7 | (8,852) | (8,602) |
| **Net profit after taxation** | | **24,766** | **24,604** |
| **Earnings per share** | | | |
| Basic earnings per share (cents per share) | 23 | 48.3 | 49.0 |
| Diluted earnings per share (cents per share) | 23 | 47.3 | 47.4 |

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Net profit for the year as per Income Statement | 24,766 | 24,604 |
| **Other comprehensive income - items that may be reclassified subsequently to profit or loss** | | |
| Exchange differences on translation of foreign operations | (1,401) | (3,558) |
| Net gain/(loss) on cash flow hedges | 1,865 | (575) |
| Income tax (expense)/credit on other comprehensive income | (522) | 161 |
| **Total comprehensive income for the year** | **24,708** | **20,632** |

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 2017

| | 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 2015 | | 30,705 | 68,851 | 429 | 1,263 | (1,069) | 100,179 |
| Net profit for the year | | – | 24,604 | – | – | – | 24,604 |
| Other comprehensive loss | | – | – | – | (3,558) | (414) | (3,972) |
| **Total comprehensive income/(loss) for the year** | | **–** | **24,604** | **–** | **(3,558)** | **(414)** | **20,632** |
| Dividends paid to shareholders | 24 | – | (8,541) | – | – | – | (8,541) |
| Share based payment expense | 22 | – | – | 280 | – | – | 280 |
| **As at 30 June 2016** | | **30,705** | **84,914** | **709** | **(2,295)** | **(1,483)** | **112,550** |
| Net profit for the year | | – | 24,766 | – | – | – | 24,766 |
| Other comprehensive (loss)/income | | – | – | – | (1,401) | 1,343 | (58) |
| **Total comprehensive income/(loss) for the year** | | **–** | **24,766** | **–** | **(1,401)** | **1,343** | **24,708** |
| Dividends paid to shareholders | 24 | – | (8,202) | – | – | – | (8,202) |
| Shares rights transferred to share capital | 21 | 676 | – | (676) | – | – | – |
| Share based payment credit | 22 | – | – | (33) | – | – | (33) |
| **As at 30 June 2017** | | **31,381** | **101,478** | **–** | **(3,696)** | **(140)** | **129,023** |

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 2017

| | NOTES | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 2,423 | 5,128 |
| Accounts receivable | 9 | 22,396 | 20,302 |
| Inventory and work in progress | 10 | 32,217 | 32,065 |
| Derivative financial instruments (at fair value) | 19 | 134 | 8 |
| Other assets | 15 | 1,611 | 1,489 |
| | | **58,781** | **58,992** |
| **Non current assets** | | | |
| Property, plant and equipment | 11 | 251,631 | 251,979 |
| Intangible assets | 12 | 3,001 | 2,948 |
| Investments in associate and joint venture companies | 13 | 6,916 | 6,372 |
| Deferred tax asset | 7 | 1,140 | 2,665 |
| Other assets | 15 | 2,832 | – |
| | | **265,520** | **263,964** |
| **Total assets** | | **324,301** | **322,956** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Loans | 16 | 54,161 | 12,284 |
| Accounts payable | 17 | 10,644 | 16,728 |
| Income tax payable | | 1,570 | 3,785 |
| Provision for employee entitlements | 18 | 5,725 | 6,137 |
| Derivative financial instruments (at fair value) | 19 | 164 | 290 |
| Other liabilities | 20 | 9,333 | 11,441 |
| | | **81,597** | **50,665** |
| **Non current liabilities** | | | |
| Loans | 16 | 105,065 | 152,405 |
| Provision for employee entitlements | 18 | 375 | 169 |
| Derivative financial instruments (at fair value) | 19 | 133 | 1,835 |
| Other liabilities | 20 | 5,469 | 3,560 |
| Deferred tax liability | 7 | 2,639 | 1,772 |
| | | **113,681** | **159,741** |
| **Total liabilities** | | **195,278** | **210,406** |
| **NET ASSETS** | | **129,023** | **112,550** |
| **EQUITY** | | | |
| Share capital | 21 | 31,381 | 30,705 |
| Retained earnings | | 101,478 | 84,914 |
| Share based payment reserve | 22 | – | 709 |
| Foreign currency translation reserve | | (3,696) | (2,295) |
| Hedging reserve | | (140) | (1,483) |
| **TOTAL EQUITY** | | **129,023** | **112,550** |
| **Net tangible assets per share ($'s)** | | **2.41** | **2.18** |

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 2017

| | NOTES | 2017 $000 | 2016 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers and insurance proceeds | | 197,178 | 183,544 |
| Interest received | | 466 | 16 |
| Dividend received from associate | | 50 | – |
| Payments to suppliers and employees | | (118,472) | (123,539) |
| Interest paid | | (6,886) | (5,429) |
| Income taxes paid | | (9,862) | (8,664) |
| **Net cash flows from operating activities** | **29** | **62,474** | **45,928** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 2,353 | 1,303 |
| Purchase of property, plant and equipment | 11 | (54,515) | (89,037) |
| Purchase of intangible assets | 12 | (262) | (768) |
| Purchase of other assets | 15 | (2,832) | – |
| **Net cash flows from investing activities** | | **(55,256)** | **(88,502)** |
| **Cash flows from financing activities** | | | |
| Proceeds from bank loan draw downs | | 64,690 | 109,697 |
| Repayment of bank loans | | (66,131) | (56,808) |
| Dividends paid to shareholders | 24 | (8,202) | (8,541) |
| **Net cash flows from financing activities** | | **(9,643)** | **44,348** |
| Net (decrease)/increase in cash and cash equivalents | | (2,425) | 1,774 |
| Net foreign exchange differences | | (280) | 134 |
| Cash and cash equivalents at start of year | | 5,128 | 3,220 |
| **Cash and cash equivalents at end of year** | **8** | **2,423** | **5,128** |

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 2017

## 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 L.4, 32 - 34 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 28 August 2017.

## B IMMEDIATE PARENT AND ULTIMATE CONTROLLING COMPANY

The immediate parent company of Airwork Holdings Limited is Rifa Jair Company Limited, whose registered office is: Rm D 10/f Tower A Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong. The ultimate holding company is Zhejiang Rifa Holding Group Co. Limited ("RIFA") whose registered office is: Zhongtian Mansion 17th Floor, Yugulu No 173, Hangzhou 310007, China.

## C 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 and South America. There have been no changes to the Group's principal activities during the period.

## D 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.

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.

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

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

NZ IFRS 9, 'Financial Instruments' deals with classification and measurement, impairment and hedge accounting of financial instruments, including trade receivables. NZ IFRS 9 replaces NZ IAS 39 'Financial Instruments: Recognition and Measurement' and related interpretations. The Group will adopt NZ IFRS 9 for the first time in the financial year ending 30 June 2019. The Group does not expect a significant impact on its balance sheet or income statement relating to classification and measurement of financial instruments and believes that all existing hedge relationships will continue to qualify for hedge accounting under NZ IFRS 9. Impairment of financial instruments may affect the Group's recognition of expected credit losses on its trade receivables; any difference to the measurement of credit losses under NZ IFRS 9 is not expected to be material.

NZ IFRS 15, 'Revenue from Contracts with Customers' deals with the recognition of revenue arising from an entity's contracts with its customers. NZ IFRS 15 replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction Contracts' and related interpretations. The Group will adopt NZ IFRS 15 for the first time in the financial year ending 30 June 2019. The Group is currently assessing the impact of adopting NZ IFRS 15 and the timing of revenue and margin recognition may be delayed with respect to revenues for certain long term maintenance contracts. The full financial impact of adopting NZ IFRS 15 is yet to be quantified.

NZ IFRS 16, 'Leases', deals with accounting for transactions that include the lease of an asset, including service contracts that incorporate an asset lease. NZ IFRS 16 replaces NZ IAS 17 'Leases' and related interpretations. The Group will adopt NZ IFRS 16 for the first time in the financial year ending 30 June 2020. The accounting model for lessors will not change significantly. The current accounting model for lessees requires a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). Other than optional exemptions for certain short-term leases and leases of low-value assets, NZ IFRS 16 will require a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts. Compared to NZ IAS 17 where operating lease expenses are recognised on a straight line basis over the term of the lease, NZ IFRS 16 will result in higher expenses in the earlier years of a lease due to the amortisation of the right to use asset, and cash flows being apportioned between interest expense using the effective interest rate and repayment of the lease liability. The presentation of the applicable lease expenses within the Income Statement and Cash Flow Statement will also change. Operating lease commitments as set out in Note 25 predominantly relate to leased properties and are expected to be brought onto the balance sheet. The Group is currently reviewing the specific requirements of NZ IFRS 16 in relation to service contracts that include a leased asset, and the impact that NZ IFRS 16 may have on its joint venture companies that are party to such transactions. The full financial impact of adopting NZ IFRS 16 is yet to be quantified.

## E 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.

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 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.

### 3 Foreign currency translation

**Functional currency**

The presentation currency of the Group is New Zealand dollars. Except where otherwise specified, all 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.

## 4 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 trade 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.

### 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, tourism, 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.

## 5 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.

## 6 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.

## 7 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.

## 8 Specific accounting policies

All significant accounting policies that are specific to a balance disclosed in the financial statements are disclosed within the note that the balance relates to.

## F 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

## 1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, the Directors and management continually evaluate 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. 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.

### 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.

## 2 OPERATING SEGMENTS

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 of Directors' (the "Board") has been identified as the Group's chief operating decision maker for the purpose of applying NZ IFRS 8.

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 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 2017 | FIXED WING $000 | HELICOPTERS $000 | TOTAL SEGMENTS $000 | ADJUSTMENTS AND ELIMINATIONS $000 | CONSOLIDATED $000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External customers | 93,172 | 75,120 | **168,292** | 69 | **168,361** |
| Insurance income | 14,698 | – | **14,698** | – | **14,698** |
| Inter-segment | 1,055 | 432 | **1,487** | (1,487) | **–** |
| **Total income** | **108,925** | **75,552** | **184,477** | **(1,418)** | **183,059** |
| Depreciation, amortisation and impairment expenses | (40,173) | (7,646) | **(47,819)** | (414) | **(48,233)** |
| Share of profit/(loss) of associates and joint ventures | 996 | (391) | **605** | (11) | **594** |
| **Segment operating profit/(loss) after depreciation, amortisation and impairment expenses** | 31,324 | 15,348 | **46,672** | (6,995) | **39,677** |
| **Other disclosures:** | | | | | |
| **Capital expenditure** | 50,032 | 7,252 | **57,284** | 325 | **57,609** |

| YEAR ENDED 30 JUNE 2016 | FIXED WING $000 | HELICOPTERS $000 | TOTAL SEGMENTS $000 | ADJUSTMENTS AND ELIMINATIONS $000 | CONSOLIDATED $000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External customers | 80,364 | 85,564 | **165,928** | 55 | **165,983** |
| Inter-segment | 1,191 | 651 | **1,842** | (1,842) | **–** |
| **Total income** | **81,555** | **86,215** | **167,770** | **(1,787)** | **165,983** |
| Depreciation, amortisation and impairment expenses | (23,515) | (7,878) | **(31,393)** | (334) | **(31,727)** |
| Share of profit of associates and joint ventures | 287 | 1,252 | **1,539** | (1) | **1,538** |
| **Segment operating profit/(loss) after depreciation, amortisation and impairment expenses** | 20,548 | 23,800 | **44,348** | (7,056) | **37,292** |
| **Other disclosures:** | | | | | |
| **Capital expenditure** | 71,576 | 17,784 | **89,360** | 445 | **89,805** |

Inter-segment revenues are eliminated upon consolidation and are reflected in the 'adjustments and eliminations' column. Finance income, finance expenses and other gains and 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, intangible assets, and non current other assets.

## Geographic information

| INCOME FROM EXTERNAL CUSTOMERS | 2017 $000 | 2016 $000 |
|---|---|---|
| New Zealand | 55,845 | 40,617 |
| Australia | 60,215 | 52,453 |
| Rest of World | 66,999 | 72,913 |
| **Total income per consolidated income statement** | **183,059** | **165,983** |

The revenue information above is based on the locations of the customers. Revenue from one customer amounted to $37,360,000 (2016: $37,405,000), arising from sales by the fixed wing segment.

| NON CURRENT ASSETS BY LOCATION | 2017 $000 | 2016 $000 |
|---|---|---|
| New Zealand | 96,609 | 68,310 |
| Australia | 67,395 | 70,576 |
| Rest of World | 93,460 | 116,041 |
| **Total non current assets** | **257,464** | **254,927** |

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

## 3 OPERATING EXPENSES

| | NOTES | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Parts and material purchases | | (35,088) | (36,358) |
| Labour and related expenses | 4 | (43,096) | (42,097) |
| Aircraft operating expenses | | (7,812) | (6,977) |
| Other expenses | | (9,747) | (13,070) |
| | | **(95,743)** | **(98,502)** |

## 4 OPERATING PROFIT

The following items of revenue/(expense) are included in operating profit:

| | NOTES | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Auditor's remuneration: | | | |
| › Auditing the financial statements | | (196) | (158) |
| › Review of interim financial statements | | (20) | (20) |
| | | **(216)** | **(178)** |
| Other fees paid to auditors: | | | |
| › Taxation compliance and advisory services | | (126) | (91) |
| › Treasury advisory services | | (27) | (34) |
| › Advisory services relating to the partial takeover, recovered pursuant to rule 49(2) of the Takeovers Code | | (53) | – |
| | | **(206)** | **(125)** |
| Depreciation and amortisation expenses: | | | |
| › Depreciation expense: property, plant and equipment | 11 | (34,825) | (31,281) |
| › Amortisation expense: intangible assets | 12 | (428) | (446) |
| | | **(35,253)** | **(31,727)** |
| Labour and related expenses: | | | |
| › Wages and salaries | | (35,821) | (34,391) |
| › Contractors and temporary staff | | (3,513) | (4,627) |
| › Contributions to employee superannuation schemes | | (1,577) | (1,384) |
| › Share based payment credit/(expense) | 22 | 33 | (280) |
| › Other short term benefits | | (401) | (347) |
| | | (41,279) | (41,029) |
| › On costs and other labour related expenses | | (1,817) | (1,068) |
| | | **(43,096)** | **(42,097)** |
| Impairment loss on accounts receivable: | | | |
| › Written off as non recoverable | | (19) | (433) |
| › Increase in provision for doubtful debts | | (1,514) | (108) |
| | | **(1,533)** | **(541)** |
| Inventory impairment provisions and write offs: | | | |
| › Stock adjustments and write offs | | 147 | (923) |
| › (Increase)/decrease in provision for inventory impairment | | (117) | 86 |
| | | **30** | **(837)** |
| Government grants | | 15 | 175 |
| Directors' fees | 28 | (211) | (181) |
| Donations | | – | (20) |
| Gain on disposal of property, plant and equipment | | 849 | 299 |
| Operating lease expenses | | (1,242) | (1,268) |

## 5 FINANCE INCOME AND EXPENSES

### 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.

| | 2017<br>$000 | 2016<br>$000 |
|---|---|---|
| Interest income | 186 | 296 |
| Interest expense | (5,735) | (4,755) |
| Finance fees | (801) | (674) |
| | **(6,350)** | **(5,133)** |
| Represented in the income statement as follows: | | |
| Finance income | 186 | 296 |
| Finance expenses | (6,536) | (5,429) |
| | **(6,350)** | **(5,133)** |

Borrowing costs of $113,000 at an average rate of 1.9% were capitalised in the year (2016: $771,000 at 2.2%)

## 6 OTHER GAINS AND LOSSES

| | NOTES | 2017<br>$000 | 2016<br>$000 |
|---|---|---|---|
| Net foreign exchange movement comprises: | | | |
| › Realised foreign exchange gains/(losses) | | 442 | (599) |
| › Unrealised foreign exchange (losses)/gains | | (240) | 1,704 |
| | | **202** | **1,105** |
| Net change in fair value of derivative financial instruments: | | | |
| › Derivatives measured at fair value through the income statement | 19 | 89 | (58) |
| | | **291** | **1,047** |

## 7 TAXATION

### Income tax expense

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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Net profit before taxation | **33,618** | **33,206** |
| Prima facie taxation expense at 28% | (9,413) | (9,298) |
| **Taxation effect of permanent differences:** | | |
| Tax rate differential related to non-New Zealand earnings | (50) | (60) |
| Capital gain on disposal of property, plant and equipment | 264 | – |
| Equity accounted profits of associate and joint venture companies | 166 | 431 |
| CFC and FIF adjustments | (48) | (270) |
| Utilisation of tax losses not previously recognised | – | 47 |
| Other non assessable revenues and non deductible expenses (net) | 85 | 56 |
| Adjustment for prior years | 144 | 492 |
| **Income tax expense** | **(8,852)** | **(8,602)** |
| Represented by: | | |
| Current tax | (7,089) | (9,616) |
| Deferred tax | (1,907) | 522 |
| Adjustment for prior years | 144 | 492 |
| **Total income tax expense** | **(8,852)** | **(8,602)** |

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Imputation credit account** | | |
| Balance at start of year | 13,155 | 10,240 |
| Tax payments | 3,716 | 3,283 |
| Credits attached to dividends received | 20 | – |
| Credits attached to dividends paid | (3,190) | (3,322) |
| Credits forfeited | (13,327) | – |
| **Balance at end of year** | **374** | **10,201** |
| New Zealand tax payable at end of year | 861 | 2,954 |
| **Imputation credits available for subsequent periods** | **1,235** | **13,155** |

The Group's effective tax rate for the year was 26.3% (2016: 25.9%).

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. Imputation credits available for use in subsequent periods is dependent on the Company continuing to meet minimum shareholder continuity requirements.

The minimum shareholder continuity requirement to carry forward imputation credits of 66% was breached on 17 March 2017 when RIFA acquired 75% of the Company's shares, resulting in the forfeiture of imputation credits totalling $13,327,000.

### Deferred tax

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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Deferred tax asset (deductible temporary differences) | 1,140 | 2,665 |
| Deferred tax liability (assessable temporary differences) | (2,639) | (1,772) |
| **Net deferred tax (liability)/asset** | **(1,499)** | **893** |

Movements in the net deferred tax asset during the year comprise:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Net deferred tax asset at start of year | 893 | 522 |
| Income Statement (expense)/credit | (1,907) | 522 |
| Net foreign exchange movements | (607) | 23 |
| Adjustment for prior years | 122 | (174) |
| **Net deferred tax (liability)/asset at end of year** | **(1,499)** | **893** |

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

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Property, plant and equipment | (4,442) | (4,533) |
| Accounts payable | 674 | 1,646 |
| Inventory and work in progress | (74) | 94 |
| Provision for employee entitlements | 1,267 | 1,178 |
| Accounts receivable | 627 | 227 |
| Other items | 74 | (122) |
| Tax losses | 375 | 2,403 |
| **Net deferred tax (liability)/asset** | **(1,499)** | **893** |

Deferred tax of $375,000 (2016: $2,403,000) 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.

## 8 CASH AND CASH EQUIVALENTS

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Cash at bank and on hand | 1,975 | 2,136 |
| Aircraft reserves bank account | 448 | 2,992 |
| | **2,423** | **5,128** |

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

Accounts receivable 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. For disclosure purposes, any amounts invoiced for goods or services in advance that reflect future revenue and which remain unpaid at the reporting date are not reported within accounts receivable.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Trade receivables | 22,012 | 18,559 |
| Provision for doubtful receivables | (2,325) | (811) |
| | **19,687** | **17,748** |
| Other receivables | 2,709 | 2,554 |
| | **22,396** | **20,302** |

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:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Not past due | 11,259 | 11,159 |
| Past due 0 – 30 days, not considered impaired | 4,300 | 2,154 |
| Past due 31 – 60 days, not considered impaired | 1,275 | 1,865 |
| Past due 60 – 90 days, not considered impaired | 916 | 321 |
| Past due more than 90 days, not considered impaired | 1,938 | 2,249 |
| Past due more than 90 days, considered impaired | 2,325 | 811 |
| | **22,012** | **18,559** |

## 10 INVENTORY AND WORK IN PROGRESS

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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Inventory: materials and components | 21,248 | 22,029 |
| Trading inventory | 3,923 | 4,138 |
| Provision for inventory impairment | (1,806) | (1,689) |
| | **23,365** | **24,478** |
| Work in progress | 8,852 | 7,587 |
| | **32,217** | **32,065** |

Trading inventories consist of helicopters purchased for refurbishment and resale.

## 11 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.

### 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.

### 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
- Rotables and spare parts: straight line basis over a period of 20 years
- 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; average approximately 10% straight line.

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

| | BUILDINGS $000 | FIXED WING AIRCRAFT $000 | HELICOPTERS $000 | ROTABLES AND SPARE PARTS $000 | OTHER PLANT AND EQUIPMENT $000 | TOTAL $000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balance as at 1 July 2015 | 5,945 | 201,317 | 83,900 | 12,090 | 12,699 | 315,951 |
| Additions | 3,223 | 70,047 | 13,353 | – | 2,414 | 89,037 |
| Disposals | – | (6,113) | (3,607) | – | (59) | (9,779) |
| Transfer from inventory, net | – | – | 652 | 208 | – | 860 |
| Adjustment | – | – | – | – | 415 | 415 |
| Net foreign exchange movements | – | (18,665) | (181) | – | (54) | (18,900) |
| **Balance as at 30 June 2016** | **9,168** | **246,586** | **94,117** | **12,298** | **15,415** | **377,584** |
| Additions | 340 | 46,579 | 6,878 | – | 718 | 54,515 |
| Transfer to intangible assets | – | – | – | – | (219) | (219) |
| Disposals | (5) | (40,900) | (5,294) | – | (438) | (46,637) |
| Transfer (to)/from inventory, net | – | (42) | (407) | 625 | 51 | 227 |
| Net foreign exchange movements | – | (15,380) | (8) | – | 4 | (15,384) |
| **Balance as at 30 June 2017** | **9,503** | **236,843** | **95,286** | **12,923** | **15,531** | **370,086** |
| **Accumulated Depreciation and Impairment:** | | | | | | |
| Balance as at 1 July 2015 | (3,048) | (71,487) | (24,092) | (1,949) | (8,539) | (109,115) |
| Disposals | – | 5,001 | 3,607 | – | 47 | 8,655 |
| Depreciation expense | (271) | (22,731) | (6,546) | (370) | (1,363) | (31,281) |
| Transfer to inventory, net | – | – | 724 | – | – | 724 |
| Adjustment | – | – | – | – | (415) | (415) |
| Net foreign exchange movements | – | 5,729 | 21 | – | 77 | 5,827 |
| **Balance as at 30 June 2016** | **(3,319)** | **(83,488)** | **(26,286)** | **(2,319)** | **(10,193)** | **(125,605)** |
| Disposals | 2 | 39,016 | 5,294 | – | 406 | 44,718 |
| Depreciation expense | (309) | (26,328) | (6,442) | (365) | (1,381) | (34,825) |
| Impairment expense | – | (12,980) | – | – | – | (12,980) |
| Transfer to inventory, net | – | – | 223 | – | – | 223 |
| Reclassification | – | (438) | – | 94 | 344 | – |
| Net foreign exchange movements | – | 10,015 | (1) | – | – | 10,014 |
| **Balance as at 30 June 2017** | **(3,626)** | **(74,203)** | **(27,212)** | **(2,590)** | **(10,824)** | **(118,455)** |
| **Book Value:** | | | | | | |
| As at 30 June 2016 | 5,849 | 163,098 | 67,831 | 9,979 | 5,222 | 251,979 |
| **As at 30 June 2017** | **5,877** | **162,640** | **68,074** | **10,333** | **4,707** | **251,631** |

### Impairment expense

In August 2016, a Boeing 737-400 aircraft owned by the Group and dry leased to a customer in Europe was involved in an incident where the aircraft, while landing in poor weather conditions, overshot the runway. The aircraft was subsequently deemed uneconomic to repair. Impairment expense of $12,980,000 was recognised to write-off the net book value of the aircraft. Insurance income of $14,698,000 was received as compensation for the loss incurred.

## 12 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 based on the estimated useful life of the asset, and is charged as an expense on a straight line basis over periods of up to ten years.

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 2017, 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.

| | CERTIFICATION COSTS $000 | COMPUTER SOFTWARE $000 | FLYING CONTRACT $000 | GOODWILL $000 | TOTAL $000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| As at 1 July 2015 | 2,451 | 1,336 | 375 | 600 | 4,762 |
| Additions | 432 | 336 | – | – | 768 |
| **As at 30 June 2016** | **2,883** | **1,672** | **375** | **600** | **5,530** |
| Additions | 85 | 177 | – | – | 262 |
| Transfer from property, plant and equipment | 219 | – | – | – | 219 |
| Disposals | – | – | (375) | – | (375) |
| **As at 30 June 2017** | **3,187** | **1,849** | **–** | **600** | **5,636** |
| **Accumulated Amortisation:** | | | | | |
| As at 1 July 2015 | (1,320) | (513) | (303) | – | (2,136) |
| Amortisation expense | (278) | (132) | (36) | – | (446) |
| **As at 30 June 2016** | **(1,598)** | **(645)** | **(339)** | **–** | **(2,582)** |
| Amortisation expense | (236) | (156) | (36) | – | (428) |
| Disposals | – | – | 375 | – | 375 |
| **As at 30 June 2017** | **(1,834)** | **(801)** | **–** | **–** | **(2,635)** |
| **Net Book Value:** | | | | | |
| At 30 June 2016 | 1,285 | 1,027 | 36 | 600 | 2,948 |
| **At 30 June 2017** | **1,353** | **1,048** | **–** | **600** | **3,001** |

## 13 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE COMPANIES

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Shares in associate and joint venture companies, at cost | 3,466 | 3,466 |
| Equity accounted earnings of associate and joint venture companies | 3,450 | 2,906 |
| **Net equity investment in associate and joint venture companies** | **6,916** | **6,372** |

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

| | CLASSIFICATION | PRINCIPAL ACTIVITY | 2017 % SHARES | 2016 % 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 services company | 50% | 50% |

Movement in investments in associate and joint venture companies during the year comprise:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Balance at start of year | 6,372 | 4,834 |
| Share of current year profits | 594 | 1,538 |
| Dividends received | (50) | – |
| **Balance at end of year** | **6,916** | **6,372** |

Heliport Lease Holdings Limited, Inflite Charters Limited and Parcelair Limited are based in New Zealand and have a balance date of 30 June. Allway Logistics Limited is based in Hong Kong and has a balance date of 31 December. During the year, the Group entered into transactions with its associate and joint venture companies for the provision of aircraft sales, leases, operations, engineering and associated services of $20,292,000 (2016: $3,554,000). At balance date the Group held accounts receivable of $5,265,000 (2016: $347,000) and accounts payable of $25,000 (2016: nil) with associate and joint venture companies.

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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Extracts from associate and joint venture companies' balance sheets (unaudited):** | | |
| Current assets | 12,094 | 6,015 |
| Non current assets | 19,589 | 18,345 |
| Current liabilities | (6,701) | (1,266) |
| Non current liabilities | (10,572) | (9,260) |
| **Net assets** | **14,410** | **13,834** |
| **Extract from associate and joint venture companies' income statement (unaudited):** | | |
| Revenue | 28,653 | 11,247 |
| **Net profit after taxation** | **1,289** | **3,684** |

The associate and joint venture companies did not have any contingent liabilities or capital commitments at balance date (2016: nil).

## 14 INVESTMENTS IN SUBSIDIARY COMPANIES

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

| | PRINCIPAL ACTIVITY | COUNTRY OF INCORPORATION | 2017 % EFFECTIVE INTEREST | 2016 % EFFECTIVE INTEREST |
|---|---|---|---|---|
| **Subsidiaries and in substance subsidiaries** | | | | |
| AFO Aircraft (Aus) Pty Limited | Aircraft leasing | Australia | 100% | 100% |
| AFO Aircraft (NZ) Limited | Aircraft leasing | New Zealand | 100% | 100% |
| Aircrane Limited | Aircraft leasing | Bolivia | 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 Fixed Wing Limited | Aircraft charter and maintenance | New Zealand | 100% | – |
| Airwork Flight Operations Pty Limited | Aircraft charter and maintenance | Australia | 100% | 100% |
| Airwork Heli Engineering Pty Limited | Aircraft maintenance | Australia | 100% | 100% |
| Airwork Heli Services (Canada) Limited | Aircraft parts support | Canada | 100% | – |
| Airwork Personnel Pty Limited | Personnel services | Australia | 100% | 100% |
| Airwork (USA) LLC | Personnel services | USA | 100% | – |
| Airwork (USA) Limited | Non trading | New Zealand | 100% | – |
| Baxolex Pty Limited | Non trading | South Africa | 100% | 100% |
| Capital Aviation Investments Limited | Non trading | New Zealand | 100% | 100% |
| Contract Aviation Industries Limited | Aircraft leasing | New Zealand | 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 | Non trading | South Africa | 100% | 100% |
| Helilink Limited | Helicopter operations | New Zealand | 100% | 100% |

Airwork (USA) LLC has a balance date of 31 December. All other subsidiary companies have a balance date of 30 June.

## 15 OTHER ASSETS

Other assets are classified as current assets where the company expects to realise the asset within twelve months from the end of the reporting period. Other assets not meeting this criteria are classified as non current assets.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Other assets comprise:** | | |
| Prepayments | 1,610 | 1,488 |
| Refundable aircraft deposits | 2,832 | – |
| Other assets | 1 | 1 |
| | **4,443** | **1,489** |
| **Represented by:** | | |
| Current | 1,611 | 1,489 |
| Non current | 2,832 | – |
| | **4,443** | **1,489** |

## 16 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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Loans comprise:** | | |
| Multi-currency cash advances facility (secured) | 159,226 | 164,689 |
| | **159,226** | **164,689** |
| **Represented by:** | | |
| Current | 54,161 | 12,284 |
| Non current | 105,065 | 152,405 |
| | **159,226** | **164,689** |

At 30 June 2017, the Company and Group had a loan facility agreement with Commonwealth Bank of Australia ("CBA"), which provided:

- a multi-currency facility of up to NZ$25 million expiring on 31 January 2019, of which NZ$5.0 million could be utilised as an overdraft facility;
- multi-currency facilities of up to US$25 million expiring on 31 January 2018;
- amortising USD loan facilities totalling US$89,099,000 expiring on 31 May 2018 (US$17,572,000) and 31 March 2020 (US$68,527,000); and
- a bond issuance facility of up to US$850,000 expiring on 31 January 2018.

On 31 July 2017, the Company refinanced its loan facility with a newly established syndicated debt facility of approximately US$195 million provided by CBA, Bank of New Zealand, Industrial and Commercial Bank of China, and Bank of China. The new facility comprises:

- a multi-currency multi-option facility of up to NZ$30 million which includes cash advance, bond issuance and overdraft facilities, expiring on 31 July 2020;
- multi-currency facilities of up to US$55 million, expiring on 31 July 2019 (US$10 million) and 31 July 2020 (US$45 million);
- a loan facility of up to US$10 million to fund capital expenditure, expiring on 31 July 2019; and
- an amortising USD loan facility of up to US$110 million to fund fixed wing freighter aircraft, expiring on 31 July 2021. While loans drawn under this facility amortise monthly, the facility limit remains available to fund further growth capital expenditure.

At balance date, $54,161,000 of loans drawn under the facility agreement with CBA were disclosed as current liabilities based on the facility maturity dates that existed at 30 June 2017. In accordance with the new syndicated debt facility, loans totalling $14,681,000 are due for repayment during the financial year ending 30 June 2018.

The facility agreements contain financial undertakings usual for facilities of this nature. Interest and fees are payable in the normal course of business and in line with standard market practice.

The loans are secured by general security agreements in New Zealand and Australia, which provide security over the assets of Airwork Holdings Limited and certain of its subsidiary companies, representing at least 95% of the Group's earnings and total assets.

## 17 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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Trade creditors | 6,200 | 10,441 |
| Accrued interest payable | 33 | 383 |
| Other accruals | 4,411 | 5,904 |
| | **10,644** | **16,728** |

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

## 18 PROVISION FOR 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;
- short term employee incentives e.g. bonus plans;
- short term compensated absences e.g. sick leave and annual leave;
- other benefits e.g. contributions to superannuation plans;
- long term employee benefits e.g. long service leave; and
- 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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Vested entitlements:** | | |
| › Salaries and wages | 2,078 | 2,851 |
| › Annual leave | 3,557 | 3,083 |
| › Long service leave | 90 | 203 |
| | **5,725** | **6,137** |
| **Unvested entitlements:** | | |
| › Long service leave | 375 | 169 |
| | **6,100** | **6,306** |
| **Represented by:** | | |
| Current | 5,725 | 6,137 |
| Non current | 375 | 169 |
| | **6,100** | **6,306** |

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (AT FAIR VALUE)

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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Cash flow hedge financial instruments: asset/(liability)** | | |
| Interest rate contracts | (234) | (2,067) |
| Foreign exchange contracts | 40 | 8 |
| | **(194)** | **(2,059)** |
| **Fair value hedge financial instruments: asset/(liability)** | | |
| Foreign exchange contracts | 31 | (58) |
| | **(163)** | **(2,117)** |
| **Represented by** | | |
| Current asset | 134 | 8 |
| Current liability | (164) | (290) |
| Non current liability | (133) | (1,835) |
| | **(163)** | **(2,117)** |

### Interest rate contracts

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

### Foreign exchange rate contracts

The Group has entered into forward exchange rate and collar contracts to mitigate the Group's exposure to exchange rate variances associated with future committed capital expenditure, scheduled trade creditor payments related to inventory purchases, and cash management.

## 20 OTHER LIABILITIES

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Deferred income and customer prepayments | 3,466 | 4,127 |
| Security deposits | 5,774 | 3,969 |
| Other liabilities | 5,562 | 6,905 |
| | **14,802** | **15,001** |
| **Represented by** | | |
| Current | 9,333 | 11,441 |
| Non current | 5,469 | 3,560 |
| | **14,802** | **15,001** |

## 21 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 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.

| | NOTES | NO. OF SHARES ON ISSUE. | $000 |
|---|---|---|---|
| **Authorised, issued and fully paid share capital** | | | |
| Balance as at 30 June 2015 and 30 June 2016 | | 50,241,498 | 30,705 |
| Issue of shares on exercise of share rights | 22 | 2,041,875 | 676 |
| **Balance as at 30 June 2017** | | **52,283,373** | **31,381** |

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

## 22 SHARE BASED PAYMENT RESERVE

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.

| | NOTES | 2017 $000 | 2016 $000 |
|---|---|---|---|
| Balance at start of year | | 709 | 429 |
| Share based payment (credit)/expense | | (33) | 280 |
| Transferred to share capital on issuance of shares | 21 | (676) | – |
| **Balance at end of year** | | **–** | **709** |

### 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 ("the Plan"). The share rights vested over a three year period subject to the achievement of certain performance measures. On 19 December 2016, as a result of the satisfaction of the conditions under the Plan, 2,041,875 share rights became eligible to be exercised and converted to ordinary shares. At 30 June 2017, all vested share rights have been exercised. The remaining 350,625 share rights did not vest and were forfeited.

The movement in the number of share rights outstanding under the Plan was as follows:

| | 2017 NO. | 2016 NO. |
|---|---|---|
| **Unvested Share Rights:** | | |
| At start of year | 2,227,500 | 2,392,500 |
| Vested and exercised during the year | (2,041,875) | – |
| Forfeited during the year | (185,625) | (165,000) |
| At end of year | **–** | **2,227,500** |
| Percentage of ordinary shares at balance date | – | 4.4% |
| **Ageing of unvested Share Rights (subject to achievement of performance hurdles):** | | |
| Share Rights to vest within one year | – | 2,227,500 |
| | **–** | **2,227,500** |

## 23 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.

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.

| | 2017 | 2016 |
|---|---|---|
| **Basic earnings per share** | | |
| Numerator: Profit attributable to ordinary equity holders ($000) | 24,766 | 24,604 |
| Denominator: Weighted average number of ordinary shares (thousands) | 51,300 | 50,241 |
| **Basic earnings per share (cents per share)** | **48.3** | **49.0** |
| **Diluted earnings per share** | | |
| Profit attributable to ordinary equity holders ($000) | 24,766 | 24,604 |
| Share based payment (credit)/expense ($000) | (33) | 280 |
| Numerator: Profit attributable to ordinary equity holders adjusted for the effect of dilution ($000) | 24,733 | 24,884 |
| Weighted average number of ordinary shares (thousands) | 51,300 | 50,241 |
| Weighted average number of share rights (thousands) | 983 | 2,228 |
| Denominator: Weighted average number of ordinary shares adjusted for the effect of dilution (thousands) | 52,283 | 52,469 |
| **Diluted earnings per share (cents per share)** | **47.3** | **47.4** |

## 24 DIVIDENDS

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.

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Recognised amounts:** | | |
| Final dividend for prior year: 8.0 cents (2016: 8.0 cents) | 4,019 | 4,019 |
| Interim dividend for current year: 8.0 cents (2016: 9.0 cents) | 4,183 | 4,522 |
| | **8,202** | **8,541** |
| **Unrecognised amounts:** | | |
| Final dividend for current year: 9.0 cents (2016: 8.0 cents) | 4,706 | 4,019 |

## 25 OPERATING LEASE COMMITMENTS

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 as service income 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.

### 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:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Not later than one year | 816 | 851 |
| Later than one year but not later than two years | 609 | 564 |
| Later than two years but not later than five years | 1,534 | 1,567 |
| After five years | 3,299 | 3,682 |
| | **6,258** | **6,664** |

### The Group as lessor

The Group leases the majority of its helicopter fleet across a range of customers involved in emergency; medical; oil, gas and mineral exploration; tourism and charter markets. Leases range 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:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Not later than one year | 46,669 | 43,477 |
| Later than one year but not later than two years | 34,912 | 32,571 |
| Later than two years but not later than five years | 71,602 | 70,085 |
| After five years | 19,640 | 27,988 |
| | **172,823** | **174,121** |

## 26 CAPITAL COMMITMENTS

At 30 June 2017, the Group had capital commitments related to aircraft and inventory purchases totalling $5,110,000 (2016: $19,500,000), all of which is expected to be incurred in the year ending 30 June 2018 (2016: $15,230,000).

## 27 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### 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 of 50% of Allway Logistics Limited's debt to ANZ Bank, amounting to $2,872,000 at 30 June 2017 (2016: $3,917,000).

### Letters of credit and performance bonds

The Group has issued letters of credit and performance bonds of $872,000 (2016: $893,000). 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.

## 28 RELATED PARTY DISCLOSURES

The ultimate holding company is Airwork Holdings Limited. Interests in associate, joint venture and subsidiary companies are set out in Notes 13 and 14.

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

| NAME AND NATURE OF RELATIONSHIP OF RELATED PARTY | TYPE OF TRANSACTION | 2017 VALUE OF TRANSACTIONS RECEIVED OR RECEIVABLE / (PAID) OR (PAYABLE) $000 | 2016 VALUE OF TRANSACTIONS RECEIVED OR RECEIVABLE / (PAID) OR (PAYABLE) $000 |
|---|---|---|---|
| **Directors' fees: Parent company Directors** | | | |
| Michael Daniel | Director's fees | (60) | (60) |
| Robin Flannagan, resigned as director 5 April 2017 | Director's fees | (45) | (60) |
| Hugh Jones, resigned as director 20 March 2017 | Director's fees | (45) | (60) |
| Jie Wu, appointed as director 17 March 2017 | Director's fees | (18) | – |
| Simon Craddock, appointed as director 5 May 2017 | Director's fees | (14) | – |
| Martin Gray, appointed as director 5 May 2017 | Director's fees | (14) | – |
| Mark Pitt, appointed as director 5 May 2017 | Director's fees | (14) | – |
| **Director's fees: other Group companies** | | | |
| Alan Sain | Director's fees and expenses in relation to the Group's Australian subsidiary companies | (1) | (1) |
| **Other Related Parties:** | | | |
| **Airlift Trading Limited** | | | |
| Hugh Jones is the sole director and shareholder of Airlift | Engineering services | 258 | 147 |
| Trading Limited. Airlift Trading Ltd owns a Bell 427 | Lease of helicopter | (144) | (218) |
| helicopter, ZK-HVN, which is leased to Airwork under | Lessee expenses | (22) | – |
| a commercial lease arrangement. | Accounts receivable | – | 165 |
| Zhejiang Rifa Holding Group Co. Limited ("RIFA"). RIFA became the majority shareholder of Airwork Holdings Limited on 17 March 2017 | Partial takeover costs recovered | 643 | – |
| **Key management personnel** | | | |
| Key management personnel compensation | Short term employee benefits | (2,568) | (2,564) |
| | Long term equity incentive plan | 14 | (115) |

On 4 October 2016, RIFA gave notice of an intention to make a partial takeover offer for 75% of the Company's ordinary shares and filed a substantial security shareholder's notice. RIFA became a related party for financial reporting purposes from that date. The partial takeover offer was made on 8 December 2016 and settled on 17 March 2017. During the year, the Company recovered costs of $643,000 from RIFA in connection with the partial takeover pursuant to rule 49(2) of the Takeovers Code. No revenue or expense has been recognised in the year in relation to these costs.

Hugh Jones was the Company's majority shareholder prior to 17 March 2017. Hugh Jones and Airlift Trading Ltd ceased to be related parties on 20 March 2017 following Hugh Jones' resignation as a director of the Company. The value of transactions with Airlift Trading Ltd during the year includes all amounts up to and including 20 March 2017.

## 29 RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

| | 2017 $000 | 2016 $000 |
|---|---|---|
| **Net profit after taxation for the year** | **24,766** | **24,604** |
| **Add/(deduct) non cash items:** | | |
| Depreciation, amortisation and impairment expenses | 48,233 | 31,727 |
| Movements in fair value of derivative financial instruments | (89) | 58 |
| Unrealised foreign exchange losses/(gains) | 240 | (1,704) |
| Accounts receivable impairment losses, provisions and write offs | 1,533 | 541 |
| Equity accounted earnings of associate and joint venture companies, net of dividends | (544) | (1,538) |
| Inventory impairment provisions and write offs | (30) | 837 |
| Share based payments (credit)/expense | (33) | 280 |
| Increase/(decrease) in deferred tax liability | 867 | (1,942) |
| Decrease in deferred tax asset | 1,025 | 1,571 |
| | **75,968** | **54,434** |
| **Add/(deduct) movements in working capital:** | | |
| (Increase)/decrease in accounts receivable | (3,044) | (4,787) |
| (Increase)/decrease in inventory and work in progress | (575) | (4,192) |
| (Increase)/decrease in income tax receivable | – | 384 |
| (Increase)/decrease in other assets | (108) | (137) |
| Increase/(decrease) in accounts payable | (5,843) | 226 |
| Increase/(decrease) in provision for employee entitlements | (492) | 837 |
| Increase/(decrease) in income tax payable | (2,901) | (97) |
| Increase/(decrease) in other liabilities | 318 | (441) |
| | **63,323** | **46,227** |
| **Add/(deduct) items classified as investing activity:** | | |
| Net (surplus)/deficit on sale of property, plant and equipment | (849) | (299) |
| **Net cash flows from operating activities** | **62,474** | **45,928** |

## 30 FINANCIAL INSTRUMENTS

### Financial risk management objectives

The Group's principal financial instruments (other than derivatives) comprise: cash and cash equivalents; bank loans; 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 or within the notes to the financial statements.

### (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 as Core Debt or Working Capital Debt. Working Capital Debt is not managed for its interest rate risk because of its short term nature. The Group's policy targets 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 2017, 61% (2016: 49%) of the Group's borrowings, including the impact of interest rate swaps and collars, are at a fixed rate of interest. In addition, at 30 June 2017 the Group has a forward start interest rate contract commencing 31 December 2019 with a notional amount of NZ$13,650,000 for a period of five years. Accordingly, the interest rate profile for Core Debt is within policy.

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 |
|---|---|---|---|---|---|---|
| **2017** | **Floating rate instruments:** | | | | | |
| | Financial assets | | | | | |
| | Cash and cash equivalents | 2,423 | 2,423 | – | – | – |
| | Financial liabilities | | | | | |
| | Multi-currency cash advances facility | 159,241 | 159,241 | – | – | – |
| | **Fixed rate instruments:** | | | | | |
| | Financial liabilities | | | | | |
| | Interest rate contracts: receive floating and pay fixed (notional amount) | 97,236 | 28,986 | 34,125 | 34,125 | – |
| **2016** | **Floating rate instruments:** | | | | | |
| | Financial assets | | | | | |
| | Cash and cash equivalents | 5,128 | 5,128 | – | – | – |
| | Financial liabilities | | | | | |
| | Multi-currency cash advances facility | 164,944 | 164,944 | – | – | – |
| | **Fixed rate instruments:** | | | | | |
| | Financial liabilities | | | | | |
| | Interest rate contracts: receive floating and pay fixed (notional amount) | 80,897 | 45,775 | 35,122 | – | – |

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

| FINANCIAL LIABILITIES | 2017 % | 2016 % |
|---|---|---|
| Multi-currency cash advances facility: | | |
| NZD loans | 3.13% | 3.71% |
| USD loans | 3.65% | 2.84% |
| Interest rate contracts: receive floating; pay fixed | 1.41% | 1.32% |

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 balance date:

| | NET PROFIT AFTER TAX HIGHER/(LOWER) | | EQUITY HIGHER/(LOWER) | |
|---|---|---|---|---|
| | 2017 $000 | 2016 $000 | 2017 $000 | 2016 $000 |
| + 1% (100 Basis Points) | (429) | (568) | (429) | (568) |
| – 1% | 429 | 568 | 429 | 568 |

The movements in profit and equity are due to higher/lower interest costs from variable rate debt and cash balances and excludes the impact of changes in fair values of derivative financial instruments. The sensitivity changes as levels of borrowings change. The Group has a policy of targeting its exposure to changes in interest rates on borrowings to be 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 banking syndicate's approval, the Group's multi-currency cash advances facility provides for an annual extension of the facilities' termination dates at each anniversary date of signing the agreement.

At 30 June 2017, 34% of the Group's debt will mature in less than one year (2016: 7%); refer to Note 16.

The table below reflects all undiscounted contractual commitments for repayments and interest resulting from recognised financial liabilities at 30 June 2017. 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 2017.

| | | 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 |
|---|---|---|---|---|---|---|---|
| **2017** | **Financial liabilities** | | | | | | |
| | Accounts payable | 10,644 | 10,644 | 10,644 | – | – | – |
| | Employee entitlements (vested) | 5,725 | 5,725 | 5,725 | – | – | – |
| | Other liabilities | 14,802 | 13,183 | 7,979 | 5,204 | – | – |
| | Loans | 159,226 | 170,910 | 59,816 | 30,227 | 80,867 | – |
| | Derivative financial instruments | 297 | 297 | 190 | 26 | 67 | 14 |
| | | **190,694** | **200,759** | **84,354** | **35,457** | **80,934** | **14** |
| **2016** | **Financial liabilities** | | | | | | |
| | Accounts payable | 16,728 | 16,728 | 16,728 | – | – | – |
| | Employee entitlements (vested) | 6,137 | 6,137 | 6,137 | – | – | – |
| | Other liabilities | 15,001 | 12,063 | 9,650 | 2,413 | – | – |
| | Loans | 164,689 | 181,231 | 18,194 | 52,349 | 110,688 | – |
| | Derivative financial instruments | 2,125 | 2,125 | 502 | 601 | 921 | 101 |
| | | **204,680** | **218,284** | **51,211** | **55,363** | **111,609** | **101** |

At 30 June 2017 the Group had $19,406,000 (2016: $31,343,000) of unused approved credit facilities.

### (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 and import 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 hedge 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 |
|---|---|---|---|---|---|
| **2017** | Cash and cash equivalents | 1,792 | 190 | 132 | 42 |
| | Accounts receivable | 13,177 | 3,070 | 147 | 23 |
| | Derivative financial instruments (notional amount) | 1,627 | 2,629 | 1,562 | – |
| | Other assets | 2,832 | – | – | – |
| | **Total financial assets** | **19,428** | **5,889** | **1,841** | **65** |
| | Accounts payable | 5,882 | 2,181 | 67 | 1 |
| | Loans | 127,627 | – | – | – |
| | Derivative financial instruments (notional amount) | 2,827 | – | – | – |
| | Other liabilities | 8,404 | 1,314 | 146 | – |
| | **Total financial liabilities** | **144,740** | **3,495** | **213** | **1** |
| | **Net Balance Sheet exposure** | **(125,312)** | **2,394** | **1,628** | **64** |
| **2016** | Cash and cash equivalents | 3,632 | 200 | 842 | 26 |
| | Accounts receivable | 12,228 | 1,808 | 309 | 39 |
| | Derivative financial instruments (notional amount) | 2,621 | – | 391 | – |
| | **Total financial assets** | **18,481** | **2,008** | **1,542** | **65** |
| | Accounts payable | 4,485 | 827 | 219 | 31 |
| | Loans | 132,357 | – | – | – |
| | Derivative financial instruments (notional amount) | 386 | – | – | – |
| | Other liabilities | 7,209 | 3,634 | 168 | – |
| | **Total financial liabilities** | **144,437** | **4,461** | **387** | **31** |
| | **Net Balance Sheet exposure** | **(125,956)** | **(2,453)** | **1,155** | **34** |

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) | |
|---|---|---|---|---|
| | 2017 $000 | 2016 $000 | 2017 $000 | 2016 $000 |
| + 10% | 90 | 390 | (12,195) | (11,615) |
| – 10% | (110) | (476) | 14,905 | 14,196 |

**(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; derivative financial instruments; and refundable aircraft deposits. 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 20% (2016: 23%) of the Group's revenue; the Group reviews its exposure to this customer on a regular basis to ensure the risk remains 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, prepaid lease charges, and bank guarantees. 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:

| | 2017 $000 | 2016 $000 |
|---|---|---|
| Cash and cash equivalents | 2,423 | 5,128 |
| Accounts receivables (net of impairment losses) | 22,396 | 20,302 |
| Derivative financial instruments | 134 | 8 |
| Other assets | 2,832 | – |
| | **27,785** | **25,438** |
| Collateral: | | |
| › Bank guarantees | (2,031) | (2,137) |
| › Security deposits | (3,074) | (1,695) |
| › Prepaid income | (2,056) | (839) |
| | **20,624** | **20,767** |

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.

**(vi) Capital management**

When managing capital, the Board's objective is to ensure the Company 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 financial 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 the 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 |
|---|---|---|---|---|---|
| **2017** | **Assets** | | | | |
| | Cash flow hedges: derivatives classified as hedge accounted | – | 41 | – | 41 |
| | Fair value hedges: derivatives classified as fair value through the income statement | – | 93 | – | 93 |
| | **Total assets** | **–** | **134** | **–** | **134** |
| | **Liabilities** | | | | |
| | Cash flow hedges: derivatives classified as hedge accounted | – | 235 | – | 235 |
| | Fair value hedges: derivatives classified as fair value through the income statement | – | 62 | – | 62 |
| | **Total liabilities** | **–** | **297** | **–** | **297** |
| **2016** | **Assets** | | | | |
| | Cash flow hedges: derivatives classified as hedge accounted | – | 8 | – | 8 |
| | **Total assets** | **–** | **8** | **–** | **8** |
| | **Liabilities** | | | | |
| | Cash flow hedges: derivatives classified as hedge accounted | – | 2,067 | – | 2,067 |
| | Fair value hedges: derivatives classified as fair value through the income statement | – | 58 | – | 58 |
| | **Total liabilities** | **–** | **2,125** | **–** | **2,125** |

### (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 |
|---|---|---|---|---|---|---|---|
| **2017** | **Assets** | | | | | | |
| | Cash and cash equivalents | 2,423 | – | – | – | – | 2,423 |
| | Accounts receivable | 22,396 | – | – | – | – | 22,396 |
| | Derivative financial instruments | – | – | 93 | 41 | – | 134 |
| | Other assets | 2,832 | – | – | – | – | 2,832 |
| | **Total financial assets** | **27,651** | **–** | **93** | **41** | **–** | **27,785** |
| | Non financial assets | | | | | | 296,516 |
| | **Total assets** | | | | | | **324,301** |
| | **Liabilities** | | | | | | |
| | Accounts payable | – | – | – | – | 10,644 | 10,644 |
| | Employee entitlements (vested) | – | – | – | – | 5,725 | 5,725 |
| | Other liabilities | – | – | – | – | 13,183 | 13,183 |
| | Derivative financial instruments | – | – | 62 | 235 | – | 297 |
| | Loans | – | – | – | – | 159,226 | 159,226 |
| | **Total financial liabilities** | **–** | **–** | **62** | **235** | **188,778** | **189,075** |
| | Non financial liabilities | | | | | | 6,203 |
| | **Total liabilities** | | | | | | **195,278** |
| **2016** | **Assets** | | | | | | |
| | Cash and cash equivalents | 5,128 | – | – | – | – | 5,128 |
| | Accounts receivable | 20,302 | – | – | – | – | 20,302 |
| | Derivative financial instruments | – | – | – | 8 | – | 8 |
| | **Total financial assets** | **25,430** | **–** | **–** | **8** | **–** | **25,438** |
| | Non financial assets | | | | | | 297,518 |
| | **Total assets** | | | | | | **322,956** |
| | **Liabilities** | | | | | | |
| | Accounts payable | – | – | – | – | 16,728 | 16,728 |
| | Employee entitlements (vested) | – | – | – | – | 6,137 | 6,137 |
| | Other liabilities | – | – | – | – | 12,063 | 12,063 |
| | Derivative financial instruments | – | – | 58 | 2,067 | – | 2,125 |
| | Loans | – | – | – | – | 164,689 | 164,689 |
| | **Total financial liabilities** | **–** | **–** | **58** | **2,067** | **199,617** | **201,742** |
| | Non financial liabilities | | | | | | 8,664 |
| | **Total liabilities** | | | | | | **210,406** |

## 31 SUBSEQUENT EVENTS

On 31 July 2017, the Company refinanced its loan facility with a newly established syndicated debt facility of approximately US$195 million (refer Note 16).

There have been no other material events subsequent to 30 June 2017.

# INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF AIRWORK HOLDINGS LIMITED**

The consolidated financial statements comprise:

the balance sheet as at 30 June 2017;

the income statement for the year then ended;

the statement of comprehensive income for the year then ended;

the statement of changes in equity for the year then ended;

the cash flow statement for the year then ended;

the statement of accounting policies; and

the notes to the financial statements.

## Our opinion

In our opinion, the consolidated financial statements of Airwork Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

## Basis for opinion

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

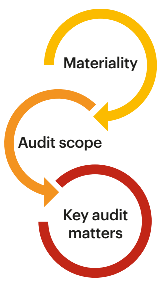
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our firm carries out other services for the Group in the areas of taxation compliance and advisory services, treasury advisory services, and tax advisory services and accounting advice provided as auditor related to the partial takeover. The provision of these other services has not impaired our independence as auditor of the Group.

## Our audit approach

### Overview




An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Overall group materiality: $1.7 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have identified one key audit matter being revenue recognition for non-standard contracts

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Group audit scope focused on those major operating divisions which contributed more than 5% of the Group's revenue. Specified procedures including testing of specific account balances and analytical review were performed over the remaining divisions.

Individual materiality levels have been applied to each location based on the overall group materiality allowing for aggregation risk. Audits of each location were performed by the Group audit team.

### Key audit matters

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition for non-standard contracts**<br><br>The Group enters into contracts with customers in relation to both the sale and leasing of fixed wing aircraft and helicopters.<br><br>The contractual terms are non-standardised and typically vary from transaction to transaction. Individual transactions may also involve multiple agreements which can influence the accounting treatment for the transaction.<br><br>All contracts are negotiated by management and significant transactions are approved by the Board of Directors. A full assessment of the accounting treatment for each significant contract is performed.<br><br>Our audit focussed on this area because revenue is significant to the financial statements, and the non-standardised terms and potential for multiple agreements relating to a particular transaction can result in complexity in determining the appropriate amount of revenue to recognise in each reporting period in relation to each individual contract. | In addressing the complexities noted in determining the appropriate amount of revenue to recognise in the reporting period for each contract entered into during the year our audit procedures included:<br><br>› Gaining an understanding of the business processes undertaken by management to identify significant contracts and determine the appropriate accounting treatment.<br><br>› Reviewing all agreements relating to material sales transactions to ensure the substance of the transactions is fully understood.<br><br>› Testing all material aircraft and helicopter sales and a sample of immaterial sales to supporting documentation including contracts and related agreements, invoices and payment records to ensure sales revenue is appropriately recognised in the correct reporting period based on the terms of the contract.<br><br>› Testing a sample of leasing transactions to supporting documentation including contracts, invoices and payment records to ensure leasing revenue is being appropriately recognised in the correct reporting period based on the terms of the contract.<br><br>› Selected a sample of sales and leasing transactions from the months of June and July 2017 and agreed to invoices, sales contracts and despatch documents to ensure the transactions are recorded in the correct accounting period.<br><br>No material exceptions were noted from the testing performed. |

### Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

## Who we report to

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

The engagement partner on the audit resulting in this independent auditor's report is Indumin Senaratne (Indy Sena).

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Auckland

28 August 2017

# CORPORATE GOVERNANCE

Good corporate governance is essential for a successful company. Airwork is committed to working to meet stakeholder and community expectations of robust 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 NZX Main Board (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, Risk Management Policy and Securities Trading Policy. The constitution and Corporate Governance Code can be found in the Investor section of Airwork's website (www.airworkgroup.com).

This corporate governance statement outlines Airwork's main corporate governance practices current as at 30 June 2017. Airwork's corporate governance principles do not differ materially from the NZX Corporate Governance Best Practice Code. Airwork has followed all the NZX Corporate Governance Code except for areas of differences specifically described below.

## BOARD ROLE AND RESPONSIBILITIES

The Board recognises that the quality with which it performs its functions is an integral part of the performance of the Company, and that there is a strong link between good governance and performance. The role of the Board is to direct the management of Airwork and its businesses while enhancing the interests of Airwork's 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) selecting and (if necessary) replacing the CEO;

(c) ensuring that the Company has adequate management to achieve its objectives and to support the CEO and that a satisfactory plan for management succession is in place;

(d) 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;

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

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

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

(h) 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;

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

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

(k) ensuring the quality and independence of the Company's external audit process; and

(l) assessing from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board.

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 fulfilment 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 specify 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 five directors, all of whom are non-executive directors. The directors are:

| | |
|---|---|
| **Jie Wu** | Mr Wu was appointed as a director on 17 March 2017 and is Chairman of Airwork's Board.<br><br>Mr Wu graduated from the China University of Political Science and Law (CUPL) with a Bachelor of Laws degree. He obtained an EMBA degree at Peking University, Economic Faculty and CEIBS MBA School after graduation. He practised as a lawyer from 1989 to 1991 and founded Zhejiang Rifa Textile Machinery Co Ltd in 1993. In 1999 he founded Zhejiang Rifa Precision Machinery Co Ltd, which is currently listed on the Shenzheng Stock Exchange. Mr Wu is the Chairman of the Board of Directors and CEO of Zhejiang Rifa Holding Group Co., Ltd, a company which he founded in 2002. |
| **Simon Craddock** | Mr Craddock was appointed as a director on 5 April 2017. He is an experienced executive with a background in corporate strategy, operations and performance improvement with Air New Zealand, Deloitte, and Fisher & Paykel Healthcare. He specialises in strategic planning and transformational change initiatives and has worked across the aviation, healthcare, tourism, defence, manufacturing, and financial services sectors. Mr Craddock sits on the board of the Public Trust and the Harvard Business School Association of NZ, and is a member of the Institute of Directors. |
| **Michael (Mike) Daniel** | Mr Daniel was appointed as a director in 2009, and was Chairman of the Board from 2013 to 2017.<br><br>A former stockbroker, Mr Daniel has held directorships with 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. |
| **Martin Gray** | Mr Gray, who was appointed as a director on 5 April 2017, has over 20 years of corporate finance experience in Asia, New Zealand and Europe. Martin is currently an Executive Director with Armillary Private Capital and previously headed M&A services for EY in New Zealand. His key areas of expertise include mergers and acquisitions, business disposals, finance raisings, project finance, independent expert reports, valuations, and due diligence, with substantial listed and private company lead advisory experience. Martin holds a Bachelor of Commerce and a Diploma in Business (Finance) from the University of Auckland, and the CA qualification through Chartered Accountants Australia and New Zealand. |
| **Mark Pitt** | Mr Pitt, who was appointed as a director on 5 April 2017, has 25 years' experience as a pilot, initially as an international military pilot and later as a domestic airline pilot instructor. He was the Chief Executive of Air New Zealand subsidiary Mount Cook Airline, Managing Director and Chair of Virgin Samoa and, most recently, Managing Director and Chief Executive of Virgin Australia New Zealand. Mr Pitt is currently a director of Airways, New Zealand's air navigation service provider, and has also served as a director of a number of Boards including Virgin Australia New Zealand and the Board of Airline Representatives New Zealand Incorporated (BARNZ). He is owner and director of distribution company Quinn International Ltd and manufacturing and distribution company G&M Pty Ltd in Australia, and runs a consultancy called Frontseat which specialises in leadership and marketing. |

Hugh Jones and Rob Flannagan were directors during the 2017 financial year, but respectively ceased as directors on 20 March 2017 and 5 April 2017.

The Company's constitution sets out the policy and process for appointment and retirement of directors. All directors appointed by the Board must retire at the next annual meeting but are eligible for election at that meeting. In addition, one third of the directors (or the number nearest to one third) are to retire each year by rotation. For the purposes of this calculation the retiring directors appointed by the Board are not taken into account when determining how many directors are to retire by rotation. Jie Wu, Simon Craddock, Martin Gray and Mark Pitt were all appointed by the Board and accordingly must retire at the next annual meeting. Being eligible, they all intend to seek re-election at that meeting. No directors are required to retire by rotation.

#### 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 2017, the following directors are independent within the meaning of the NZX Listing Rules:

- Mike Daniel — Director
- Martin Gray — Director / Audit Committee Chairman

Jie Wu, Simon Craddock and Mark Pitt are not independent

#### GENDER DIVERSITY

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

| | At 30 June 2017 | At 30 June 2016 |
|---|---|---|
| Directors | 5 Male / 0 Female | 3 Male / 0 Female |
| Officers | 8 Male / 3 Female | 9 Male / 1 Female |

## BOARD COMMITTEES

The Company has established an Audit Committee as a standing committee of the Board, and during the year ending 30 June 2017 established a Takeovers Committee. Historically, due to the small size of the Board, the Board acted as the Nominations and Remuneration Committees contemplated by the Listing Rules. Following the increase in size of the Board this is currently being reconsidered by the Board.

## 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, which is available in the Investor section of Airwork's website (www.airworkgroup.com). The Committee assists the Board to fulfil its responsibilities in the areas of financial reporting, audit functions, risk management and control.

The Committee aims to meet a minimum of two times a year. Prior to completion of the partial takeover by Zhejiang Rifa Holding Group Co., Ltd, all directors were members of the Audit Committee. Following completion of the partial takeover the committee membership was reviewed. Rob Flannagan, who was an Independent Director, was the Chair of the Committee until his resignation from the Board on 5 April 2017. Martin Gray succeeded Mr Flannagan as Chairman of the Audit Committee. The other members of the Committee at 30 June 2017 were Mike Daniel and Simon Craddock.

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.

## TAKEOVERS COMMITTEE

A Takeovers Committee of the Board, comprised of independent directors, was established to consider the company's response to Zhejiang Rifa Holding Group Co., Limited's takeover notice and subsequent takeover offer. The Committee was disestablished upon completion of the partial takeover in March 2017.

| | Board | | Audit Committee | | Takeovers Committee | |
|---|---|---|---|---|---|---|
| | Eligible Meetings | Meetings Attended | Eligible Meetings | Meetings Attended | Eligible Meetings | Meetings Attended |
| Jie Wu(1) | 1 | 1 | 0 | 0 | 0 | 0 |
| Simon Craddock(2) | 1 | 1 | 0 | 0 | 0 | 0 |
| Mike Daniel | 10 | 10 | 3 | 3 | 5 | 5 |
| Martin Gray(2) | 1 | 1 | 0 | 0 | 0 | 0 |
| Mark Pitt(2) | 1 | 1 | 0 | 0 | 0 | 0 |
| Hugh Jones(3) | 9 | 9 | 3 | 3 | 0 | 0 |
| Rob Flannagan | 9 | 9 | 3 | 3 | 5 | 5 |

*NOTES: (1) Mr Wu was appointed a director on 17 March 2017.*
*(2) Mr Craddock, Mr Gray and Mr Pitt were all appointed as directors on 5 April 2017.*
*(3) Mr Jones ceased as a director on 20 March 2017.*
*(4) Mr Flannagan ceased as a director on 5 April 2017.*

## 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.

### (A) 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.

### (B) 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 |
|---|---|---|
| **Jie Wu** | Zhejiang Rifa Holding Group Co., Ltd* | Chairman / Shareholder of parent company and chairman of all subsidiary companies |
| | Rifa Jair Investment Co. Ltd* | |
| | Rifa Jair Equipment Manufacturing Co. Ltd* | |
| | Rifa Jair Holding Company Ltd* | |
| | Rifa Jair Company Ltd* | |
| **Simon Craddock** | Public Trust* | Director |
| **Mike Daniel** | N3 Ltd | Director/Shareholder |
| | NZX Ltd | Shares held by associated person |
| **Mark Pitt** | Airways Corporation of New Zealand Limited* | Director |
| | Airways International Limited* | Director |
| **Hugh Jones** (1) | 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 |
| **Rob Flannagan** (2) | Monty & Associates Ltd | Director and Shareholder |
| | Complectus Ltd | Director (ceased 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 |
| | AgResearch Limited | Member of panel to review performance against statement of Core Purpose |

*NOTES: (1) Mr Jones ceased as a director on 20 March 2017.*
*(2) Mr Flannagan ceased as a director on 5 April 2017.*

### (C) DIRECTORS' SHARE DEALINGS

The Company has adopted a Securities Trading Policy and Guidelines, which applies to all directors and employees of the Airwork Group who intend to trade in Airwork Holdings Limited listed securities. The Securities Trading Policy and Guidelines can be found in the Investor section of Airwork's website (www.airworkgroup.com). The following table sets out the share dealings by directors during the year to 30 June 2017.

| | Date of Transaction | Consideration per security | Number purchased / (sold) | Nature of transaction |
|---|---|---|---|---|
| Mike Daniel | 17 March 2017 | $5.40 | (1,421,591) | Acceptance and completion of the partial takeover offer by Zhejiang Rifa Holding Group Co., Ltd |
| Hugh Jones | 17 March 2017 | $5.40 | (21,884,446) | Acceptance and completion of the partial takeover offer by Zhejiang Rifa Holding Group Co., Ltd |
| Rob Flannagan | 17 March 2017 | $5.40 | (4,276) | Acceptance and completion of the partial takeover offer by Zhejiang Rifa Holding Group Co., Ltd |

### (D) DIRECTORS' SHAREHOLDINGS

| | **Beneficial Interest** | | **Non-Beneficial Interest** | |
|---|---|---|---|---|
| | 30 June 2017 | 30 June 2016 | 30 June 2017 | 30 June 2016 |
| Jie Wu(1) | 0 | N/A | 39,202,284 | N/A |
| Mike Daniel | 378,409 | 1,800,000 | 0 | 0 |

*NOTE: (1) Mr Wu was appointed as a director on 17 March 2017.*

### (E) DIRECTORS' REMUNERATION

The remuneration paid to the non-executive Directors of the Company in respect of the financial year ended 30 June 2017 is set out below. All remuneration was or will be paid in cash.

| | |
|---|---|
| Mike Daniel | $60,000 |
| Hugh Jones (1) | $45,000 |
| Rob Flannagan (2) | $45,000 |
| Jie Wu (3) | $18,000 |
| Simon Craddock (4) | $14,000 |
| Martin Gray (4) | $14,000 |
| Mark Pitt (4) | $14,000 |

*NOTES: (1) Mr Jones ceased as a director on 20 March 2017.*
*(2) Mr Flannagan ceased as a director on 5 April 2017.*
*(3) Mr Wu was appointed as a director on 17 March 2017.*
*(4) Mr Craddock, Mr Gray and Mr Pitt were appointed as directors on 5 April 2017.*

### (F) 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

| Company | Directors | | | |
|---|---|---|---|---|
| AirCrane Bolivia S.R.L.(5) | S Salazar Machicado | I Salazar Machicado | | |
| AFO Aircraft (NZ) Ltd | CJ Hart | HR Jones (1) | | |
| AFO Aircraft (Aus) Pty Ltd | CJ Hart | A Sain | HR Jones (1) | S Nair (2) |
| Airwork Africa Pty Ltd | J Sterk | | | |
| Airwork (Europe) Ltd | CJ Hart | BJ Fouhy | HR Jones (1) | |
| Airwork Fixed Wing Ltd | CJ Hart | MW Daniel | BJ Fouhy (3) | |
| Airwork Flight Operations Ltd (5) | CJ Hart | MW Daniel | HR Jones (1) | RA Flannagan (4) |
| Airwork Flight Operations Pty Ltd | CJ Hart | A Sain | HR Jones (1) | S Nair (2) |
| Airwork Heli Engineering Pty Ltd | CJ Hart | A Sain | HR Jones (1) | S Nair (2) |
| Airwork Heli Services (Canada) Ltd | CJ Hart | BJ Fouhy | | |
| Airwork (NZ) Ltd | CJ Hart | HR Jones (1) | | |
| Airwork Personnel Pty Ltd | CJ Hart | A Sain | HR Jones (1) | S Nair (2) |
| Airwork (USA) Ltd | CJ Hart | B Fouhy | | |
| Airwork (USA) LLC | Member managed | | | |
| Baxolex Pty Ltd | J Sterk | | | |
| Capital Aviation Investments Ltd | CJ Hart | HR Jones (1) | | |
| Contract Aviation Industries Ltd | CJ Hart | HR Jones (1) | RA Flannagan (4) | |
| Helibip Pty Ltd | CJ Hart | MS Hall | J Sterk | |
| Heli Holdings Ltd | CJ Hart | HR Jones (1) | RA Flannagan (4) | |
| Helilink Ltd | CJ Hart | HR Jones (1) | | |
| Heli Holdings Pty Ltd | CJ Hart | A Sain | HR Jones (1) | S Nair (2) |

*NOTES: (1) Mr Jones ceased as a director on 20 March 2017.*
*(2) Mr Nair ceased as a director on 28 June 2017.*
*(3) Mr Fouhy ceased as a director on 9 February 2017.*
*(4) Mr Flannagan ceased as a director on 5 April 2017.*
*(5) In-substance subsidiary.*

Mr A Sain received $1,000 in director's fees for the year ended 30 June 2017. 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).

The Company gained control of the following entities in the year to 30 June 2017:

| Entity | Date Control Gained |
|---|---|
| Airwork Fixed Wing Ltd | 2 February 2017 |
| Airwork Heli Services Canada Ltd | 19 January 2017 |
| Airwork (USA) LLC | 14 November 2016 |
| Airwork (USA) Ltd | 31 October 2016 |

## 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 2017. Remuneration includes salary, motor vehicle and other sundry benefits received in their capacity as employees.

Employees also received share based remuneration during the year as part of the Company's long-term incentive plans (refer notes 21 and 22 to the Financial Statements). The amount attributed to share based remuneration presented in the table below represents the value to the employee of the compensation determined using the share price on the date when share options were exercised by the employees.

| Remuneration | Number of Employees | | Remuneration | Number of Employees | |
|---|---|---|---|---|---|
| ($000) | Excluding Share Based Remuneration | Including Share Based Remuneration | ($000) | Excluding Share Based Remuneration | Including Share Based Remuneration |
| 100 – 110 | 20 | 19 | 320 – 330 | 1 | 1 |
| 110 – 120 | 22 | 21 | 330 – 340 | 1 | 1 |
| 120 – 130 | 27 | 25 | 350 – 360 | – | 1 |
| 130 – 140 | 16 | 15 | 360 – 370 | – | 3 |
| 140 – 150 | 11 | 8 | 390 – 400 | 1 | 1 |
| 150 – 160 | 9 | 8 | 440 – 450 | – | 2 |
| 160 – 170 | 9 | 5 | 450 – 460 | – | 1 |
| 170 – 180 | 8 | 7 | 460 – 470 | 1 | 1 |
| 180 – 190 | 4 | 1 | 480 – 490 | – | 1 |
| 190 – 200 | 6 | 6 | 500 – 510 | – | 1 |
| 200 – 210 | 4 | 3 | 510 – 520 | – | 2 |
| 210 – 220 | 4 | 4 | 520 – 530 | 1 | 2 |
| 220 – 230 | 7 | 7 | 540 – 550 | – | 1 |
| 230 – 240 | 6 | 6 | 720 – 730 | – | 1 |
| 240 – 250 | 3 | 4 | 1,230 – 1,240 | – | 1 |
| 270 – 280 | 3 | 2 | 1,410 – 1,420 | – | 1 |
| 280 – 290 | 1 | 3 | 1,420 – 1,430 | – | 1 |
| 300 – 310 | 1 | – | 1,660 – 1,670 | – | 1 |
| 310 – 320 | 1 | 2 | | | |

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 NZX Main Board (NZX).

### SPREAD OF SHAREHOLDERS AS AT 28 AUGUST 2017

| Size of Holding | Number of Holders | % of total holders | Number of shares held | % of total issued shares |
|---|---|---|---|---|
| 1-1000 | 251 | 42.33% | 118,929 | 0.23% |
| 1,001-5,000 | 213 | 35.92% | 505,491 | 0.97% |
| 5,001-10,000 | 63 | 10.62% | 474,029 | 0.91% |
| 10,001-50,000 | 43 | 7.25% | 919,747 | 1.76% |
| 50,001-100,000 | 7 | 1.18% | 459,653 | 0.88% |
| Greater than 100,000 | 16 | 2.70% | 49,805,524 | 95.26% |
| **Totals** | **593** | **100%** | **52,283,373** | **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 2017 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 52,283,373.

| Substantial Product Holder | Number of shares held | % of total issued shares |
|---|---|---|
| Zhejiang Rifa Holding Group Co., Limited | 39,202,284 | 74.98% |
| Hugh Ross Jones | 7,096,247 | 13.58% |
| Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones as trustees of HR Jones Family Trust[1] | 2,746,665 | 5.25% |

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

### SUMMARY OF NZX WAIVERS

No waivers were granted by NZX in the 12 months to 30 June 2017, and no waivers were relied upon by the Company during that period.

### TWENTY LARGEST SHAREHOLDERS AS AT 28 AUGUST 2017

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

| Holder | Number of shares held | % of total issued shares |
|---|---|---|
| Rifa Jair Company Limited | 39,202,284 | 74.98% |
| Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones | 2,746,665 | 5.25% |
| Hugh Ross Jones, Graham Andrew McKenzie & Pixie Lynn Jones | 1,903,279 | 3.64% |
| Condor Holdings Limited | 1,738,038 | 3.32% |
| BNP Paribas Nominees NZ Limited | 1,309,456 | 2.50% |
| Michael Murray Benjamin | 440,000 | 0.84% |
| Michael Walter Daniel, Nigel Geoffrey Burton & Michael Murray Benjamin | 378,409 | 0.72% |
| FNZ Custodians Limited | 276,573 | 0.53% |

| Holder | Number of shares held | % of total issued shares |
|---|---|---|
| New Zealand Permanent Trustees Limited | 250,000 | 0.48% |
| Wayne John Collins | 234,110 | 0.45% |
| Hugh Ross Jones | 220,801 | 0.42% |
| Brian Joseph Fouhy and Julienne Marie Hayward | 216,657 | 0.41% |
| Christopher John Hart | 216,653 | 0.41% |
| Airlift Holdings Limited | 177,186 | 0.34% |
| JBWERE (NZ) Nominees Limited | 114,311 | 0.22% |
| HSBC Nominees (New Zealand) Limited | 111,555 | 0.21% |
| Custodial Services Limited | 107,559 | 0.21% |
| Investment Custodial Services Limited | 107,602 | 0.20% |
| John David Duff & Yhpj Trustees (2014) Limited | 80,000 | 0.15% |
| Robert Wayne Francis Christie & Angela Margaret Christie | 77,596 | 0.15% |
| | **49,933,008** | **95.47%** |

## ANNUAL MEETING OF SHAREHOLDERS

The Company's annual meeting of shareholders will be held at 3:00pm on Wednesday 29 November 2017 at the offices of Link Market Services, Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010.

## AUDITOR

PricewaterhouseCoopers have acted as auditors of the company, and have undertaken the audit of the financial statements for the year ended 30 June 2017. 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 2017.

## CALENDAR FOR 2018 FINANCIAL YEAR

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

## DETAILS OF DIVIDENDS PAID

| Dividend | Date Paid | Cents per Share | Total Paid 2017 $000 | Total Paid 2016 $000 |
|---|---|---|---|---|
| Interim | 17 March 2016 | 9.0 | – | 4,522 |
| Final | 5 October 2016 | 8.0 | – | 4,019 |
| Interim | 15 May 2017 | 8.0 | 4,183 | – |
| Final | 19 September 2017 | 9.0 | 4,706 | |

# CORPORATE DIRECTORY

| | | |
|---|---|---|
| COMPANY | Airwork Holdings Limited<br>PO Box 3271, Auckland 1140<br>New Zealand | T +64 9 377 1663<br>F +64 9 377 1664<br>www.airworkgroup.com |
| REGISTRATION NUMBER | 241674 | |
| REGISTERED OFFICE | L.4, 32 - 34 Mahuhu Crescent<br>Auckland<br>New Zealand | |
| PRINCIPAL SUBSIDIARY COMPANIES | Airwork (NZ) Ltd | › Helicopter engineering and support services |
| | Airwork Flight Operations Ltd / Airwork Fixed Wing Ltd | › Fixed wing charter, operations, engineering, and support services |
| | Airwork Flight Operations Pty Ltd | › Fixed wing charter, operations, and support services |
| | Heli Holdings Ltd | › Helicopter leasing |
| | Helilink Ltd | › Helicopter charter and operations |
| | AFO Aircraft (NZ) Ltd | › Fixed wing leasing |
| DIRECTORS | Jie Wu, Chairman<br>Simon Craddock<br>Mike Daniel, (Independent)<br>Martin Gray (Independent), Audit Committee Chairman<br>Mark Pitt | |

## SENIOR MANAGEMENT

| | |
|---|---|
| Chris Hart | Chief Executive Officer |
| Brian Fouhy | Chief Financial Officer |
| Wayne Christie | General Manager, Heli Holdings |
| Simon Lange | General Manager, Flight Operations |
| Shane McMahon | General Manager, Airwork (NZ) |
| Ellen Phillips | Commercial Director, Fixed Wing Leasing |
| Claude Alviani | Group Strategy & Business Development Manager |
| Brian Fair | Chief Information Officer |
| Emma Lees | Human Resources Manager |
| Greg Steele | Legal Services Manager & Company Secretary |
| Florence Wong | Investor Relations Director |

| | | |
|---|---|---|
| AUDITORS | PricewaterhouseCoopers | |
| BANKERS | Commonwealth Bank of Australia<br>ASB Bank<br>Bank of China<br>Bank of New Zealand<br>Industrial and Commercial Bank of China | |
| LAWYERS | Chapman Tripp | |
| SHARE REGISTRAR | Link Market Services Limited<br>Level 11, Deloitte Centre,<br>80 Queen Street, Auckland 1010<br><br>Private Bag 91976<br>Auckland Mail Centre, Auckland 1142<br>New Zealand | T +64 9 375 5998<br>F +64 9 375 5990<br>E enquiries@linkmarketservices.co.nz |

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

Jie Wu
**CHAIRMAN**
22 September 2017

Martin Gray
**DIRECTOR**
22 September 2017

airwork

HOLDINGS LIMITED

WWW.AIRWORK.CO.NZ