

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Approval by Directors

The Directors have pleasure in presenting the Annual Report and Financial Statements for the year ended 31 December 2020.

The Company's shareholder has exercised their right under Section 211(3) of the Companies Act 1993 that the annual report of the company for the year ended 31 December 2020 need not comply with any of paragraphs (a) and (e) to (j) of Section 211(1) of the Companies Act 1993.

The Board of Directors have approved this Annual Report and the Financial Statements of Airwork Holdings Limited for the year ended 31 December 2020 on pages 2 to 25.

Signed for and on behalf of the Board of Directors on 26 April 2021:



Jie Wu
Chairman



Simon Craddock
Director

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	12 months Dec 2020 \$000	12 months Dec 2019 \$000
Fixed wing revenue		156,585	126,710
Helicopter revenue		54,243	73,212
Total income	2	210,828	199,922
Operating expenses	3	(111,835)	(111,174)
Late delivery penalty compensation		-	(1,197)
Equity accounted earnings of associate and joint venture companies		1,689	1,383
Operating profit before depreciation, amortisation and impairment expenses		100,682	88,934
Depreciation and amortisation expenses		(53,738)	(42,337)
Impairment expenses		-	-
Operating profit after depreciation, amortisation and impairment expenses		46,944	46,597
Finance income	5	1,200	322
Finance expenses	5	(14,573)	(12,198)
Other gains and losses	6	(822)	(753)
Net profit before taxation		32,749	33,968
Income tax expense	7	(71)	(7,527)
Net profit after taxation		32,678	26,441



Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	12 months Dec 2020 \$000	12 months Dec 2019 \$000
Net profit for the year as per Income Statement	32,678	26,441
Other comprehensive income - items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(13,191)	(646)
Net gain/(loss) on cash flow hedges	(6,632)	(4,263)
Income tax credit/(expense) on other comprehensive income	1,776	1,194
Total comprehensive income for the year	14,631	22,726

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share Capital \$000	Retained Earnings \$000	Foreign Currency Translation Reserve \$000	Hedging Reserve \$000	Total Equity \$000
As at 31 December 2018		31,381	124,137	1,100	(1,259)	155,359
Net profit for the period		-	26,441	-	-	26,441
Other comprehensive income		-	-	(646)	(3,069)	(3,715)
Total comprehensive Income for the period		-	26,441	(646)	(3,069)	22,726
Dividends paid	22	-	(5,000)	-	-	(5,000)
Issue of ordinary shares	21	87,432	-	-	-	87,432
As at 31 December 2019		118,813	145,578	454	(4,328)	260,517
Net profit for the year		-	32,678	-	-	32,678
Other comprehensive income/(loss)		-	-	(13,191)	(4,856)	(18,047)
Total comprehensive income/(loss) for the year		-	32,678	(13,191)	(4,856)	14,631
Dividends paid	22	-	-	-	-	-
Issue of ordinary shares	21	-	-	-	-	-
As at 31 December 2020		118,813	178,256	(12,737)	(9,184)	275,148



Balance Sheet

AS AT 31 DECEMBER 2020

	Notes	Dec 2020 \$000	Dec 2019 \$000
ASSETS			
Current assets			
Cash and cash equivalents	8	21,751	4,725
Accounts receivable	9	21,857	29,348
Inventory and work in progress	10	47,797	44,371
Derivative financial instruments (at fair value)	19	1,256	218
Income tax receivable		1,553	484
Other assets	15	3,287	3,818
		97,501	82,964
Non current assets			
Property, plant and equipment	11	646,969	552,163
Right of use assets	23	2,724	3,231
Intangible assets	12	4,720	4,000
Investments in associate and joint venture companies	13	15,140	11,689
Long term receivables	9	6,889	2,898
Deferred tax asset	7	1,881	614
Derivative financial instruments (at fair value)	19	338	413
		678,661	575,008
Total assets		776,162	657,972
LIABILITIES			
Current liabilities			
Loans	16	54,255	28,765
Accounts payable	17	21,917	7,579
Income tax payable		7,843	2,965
Provision for employee entitlements	18	6,384	6,044
Derivative financial instruments (at fair value)	19	192	8
Lease liabilities	23	798	825
Other liabilities	20	13,290	7,242
		104,679	53,428
Non current liabilities			
Loans	16	364,232	309,976
Provision for employee entitlements	18	570	484
Derivative financial instruments (at fair value)	19	14,732	6,634
Lease liabilities	23	2,045	2,462
Other liabilities	20	12,139	12,830
Deferred tax liability	7	2,617	11,641
		396,335	344,027
Total liabilities		501,014	397,455
NET ASSETS		275,148	260,517
EQUITY			
Share capital	21	118,813	118,813
Retained earnings		178,256	145,578
Foreign currency translation reserve		(12,737)	454
Hedging reserve		(9,184)	(4,328)
TOTAL EQUITY		275,148	260,517



Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	12 months Dec 2020 \$000	12 months Dec 2019 \$000
Cash flows from operating activities			
Receipts from customers and insurance proceeds		236,484	202,098
Interest received		1,200	322
Dividends received from associate and joint venture companies	13	1,441	1,472
Payments to suppliers and employees		(146,206)	(124,130)
Finance costs paid		(13,883)	(12,004)
Income taxes paid		(3,973)	(616)
Net cash flows from operating activities		75,063	67,142
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8	246
Advances to associate and joint venture company		(2,424)	(4,711)
Purchase of property, plant and equipment		(163,100)	(208,011)
Purchase of intangible assets	12	(1,110)	(1,889)
Proceeds from sale of investment		-	1,160
Purchase of other assets		-	(1,485)
Net cash flows from investing activities		(166,626)	(214,690)
Cash flows from financing activities			
Net proceeds/(repayments) from short term bank loans		95,224	15,040
Proceeds of long term bank loans		40,708	85,615
Repayment of long term bank loans		(26,819)	(21,425)
Repayment of subordinated debt		-	(14,682)
Dividends paid to shareholders	22	-	(5,000)
Loan establishment costs paid		(1,120)	(524)
Issue of share capital	21	-	87,432
Net cash flows from financing activities		107,993	146,456
Net increase/(decrease) in cash and cash equivalents		16,430	(1,092)
Net foreign exchange differences		596	171
Cash and cash equivalents at start of year		4,725	5,646
Cash and cash equivalents at end of year	8	21,751	4,725



Statement of Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2020

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. The address of its registered office is Level 4, 32 Mahuhu Crescent, Auckland, New Zealand.

Financial statements are presented for Airwork Holdings Limited and its subsidiary, associate and joint venture companies ("the Group").

The Financial Statements were authorised for issue by the Directors on 26 April 2021.

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 19th Floor, 173 Yugu Road, Hangzhou 310007, China.

C NATURE OF OPERATIONS

The Group provides chartering, leasing, trading, crewing and engineering support services to helicopters and fixed wing aircraft globally. There have been no changes to the Group's principal activities during the year.

D BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Group is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Requirements (NZ IFRS RDR) on the basis that the Group has no public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Group has applied all disclosure concessions.

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 and associated disclosure concessions under the Reduced Disclosure Regime (NZ IFRS RDR) 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 other relevant 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.

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 Group's 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 or clearly demonstrates significant influence.

Joint venture companies are entities in which the Group 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 Group's 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 the 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 Group's 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 associate 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 value 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 asset's recoverable amount will be estimated and 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 post-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 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.

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.



4 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.

5 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 expense.

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.

Where the Group considers that its judgements and assumptions are reasonably defensible, an outflow of economic resources is unlikely, or the extent of liabilities cannot be measured reliably, then such expenditure is considered a contingent liability and no provision is recognised.

6 Investments and other financial assets

Investments and financial assets in the scope of NZ IFRS 9 'Financial Instruments' are classified as either financial assets subsequently measured at fair value through other comprehensive income, fair value through profit or loss, or financial assets measured at amortised cost. The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. 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

The group classifies its financial assets in the following measurement categories:

- Financial assets subsequently measured at fair value through other comprehensive income - the financial assets are held with the objective of being sold as well as to collect contractual cash flows. The contractual terms give rise to cash flows of solely principal and interest on specified dates.
- Financial assets measured at amortised cost - the financial asset is held in order to collect contractual cash flows and the contractual terms give rise to cash flows of solely principal and interest on specified dates.
- Financial assets subsequently measured at fair value through profit or loss - where not measured using either of the categories listed above.

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 or 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 the Group has transferred substantially all risks and rewards of ownership. 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.

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 Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and subsequently measured at fair value. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivable, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition. The Group estimates expected lifetime credit losses based on judgement and makes assumptions based on the level of the historical bad debt write offs of the Group, existing market conditions and forward looking estimates at the end of each reporting period.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement. 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.

Derivatives and hedging activities

The use of financial derivatives is governed by the Group's treasury policy approved by the Directors, which provides written principles on the use of financial derivatives and sets out the Group's objectives, policies and processes to measure, manage and report the risks. The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes. The policies are reviewed periodically to reflect changes in financial markets and the Group's businesses.

7 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.

8 Government grants

Government grants and subsidies which compensate the Group for expenses incurred are recognised in the Income Statement over the period in which the related costs are recognised when the conditions for receiving the grants and subsidies are met. Grants and subsidies are reported on a net basis in the same line as the related expense.

F CHANGES IN ACCOUNTING POLICIES

The Group have early adopted the amended NZ IAS 1 - Presentation of Financial Statements, primarily impacting the classification of loan balances between current and non current. Additionally, the Group have elected to reclassify short term borrowings/repayments in the Cash Flow Statement on a net basis, previously gross (2019: proceeds \$150,282,000, repayments \$71,052,000) All accounting policies have been applied uniformly by the Group on a consistent basis with those of the previous period.



Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2020

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 trade receivables

Trade receivables 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, including the history of the relationship with the customer, the general health of the industry and any other external factors which may indicate impairment. The Group has been in ongoing negotiations with a customer with overdue trade receivables. The Directors and management are confident that the receivables from this customer will be repaid, however, due to the customer's financial position, and the timeframe for repayment, the Group has individually impaired an appropriate portion of the at-risk trade receivables as at 31 December 2020.

Estimated impairment of non financial assets

Non financial assets (including property, plant and equipment, intangible assets, investment in associate company and investments 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, these judgements include assessment of returns to WACC, future cashflows, and future opportunities.

The recent downturn in aviation due to the effects of Covid-19 has affected some markets that the Group operates in and has resulted in an overall decrease in the profitability of the Helicopter Division compared to the prior year. The Group has identified the reduced profitability as a potential indicator of impairment at 31 December 2020. Management has identified that the Helicopter division is a cash generating unit for impairment testing purposes. The recoverable amount of the cash generating unit to which the asset belongs has been estimated using a post-tax discount rate of 8.9% with a terminal growth rate of 1.5%, reflecting current market assessments of the time value of money and the risks specific to the cash generating unit. Profitability has been assumed to return to pre Covid-19 levels during 2023. This recoverable amount is higher than the carrying value of the Helicopter division. On this basis no impairment has been recorded as at 31 December 2020.

The Directors believe that the recent Covid-19 related downturn is temporary and does not reflect a substantive change in the helicopter market, and that market conditions will return to levels experienced in prior years by 2023. This view is supported by a number of new contracts that are in the process of negotiation, and the faster than expected roll-out of the Covid-19 vaccination programme in certain key markets. However, the estimate of the recoverable amount of the cash generating unit, by necessity, involves the forecasting of future cash flows, which includes an assessment as to when market conditions will return to levels experienced in the years prior to Covid-19, future expenditure on Helicopters leased, and an assessment of the post-tax discount rate used. A potential impairment risk has been identified against the carrying value of the Helicopter Division should the Helicopter profitability not increase and the market downturn continues.

Cash generating unit	Recoverable	EBITDA	EBITDA	WACC	WACC
	Amount	-5%	+5%	-1%	+1%
	\$000	\$000	\$000	\$000	\$000
Helicopter division	152,932	(15,470)	15,470	21,948	(16,792)

The helicopter division CGU remains sensitive to WACC discount rate, EBITDA and terminal growth rate.

Estimated valuations and impairment of convertible note

Convertible notes are reassessed and reviewed at each reporting date to determine their carrying amount and whether there are any indicators that the carrying amount may not be recoverable. Judgement is required to determine the value and whether there are indicators of impairment, these judgements include assessment of returns to WACC, future cashflows, and future opportunities.

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 versus 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.



2 REVENUE

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.

For most sales no element of financing is deemed present as the sale of goods and services are generally made with 30-day credit terms, which is consistent with market practice. As a consequence, the Group does not adjust any of the transaction prices for the time value of money for the majority of sales. Where sales are made that have payment terms of greater than one-year, at less than a market rate of interest, an adjustment of transaction price for the time value of money is performed.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Sale of goods

The Group sells aircraft and aircraft spare parts to trade customers. Sales of goods are recognised at a point in time when control has transferred, which occurs when a Group entity has delivered the goods to the customer. 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 have been satisfied. 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.

Sales are recorded based on the price specified in the sales contracts.

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. 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.

The Group also provides aircraft maintenance services to customers. Services include ad hoc maintenance of aircraft or parts and stand ready obligations to provide routine maintenance.

With the exception of aircraft and part leasing services, services are generally recognised at contractual rates over time using the output method based on resources or time expended. The recognition method used by the Group depicts when services are transferred as control has passed and benefits have been provided to the customer.

Long term maintenance contracts

The Group also provides aircraft maintenance services as part of long term maintenance contracts.

Revenue is recognised over time in the accounting period in which the maintenance events or services are rendered, using the output method. The recognition method used by the Group depicts when services are transferred as control has passed and benefits have been provided to the customer.

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.

Revenue from contracts with customers has been analysed into the Group's two major business units based on its products and services as follows:

- The Fixed Wing business, providing contract aircraft leasing, charter, aircraft flight operations and maintenance, repair and overhaul ("MRO") services; and
- The Helicopter business, providing helicopter MRO services and helicopter leasing, crewing and charters.

Revenue derived in each of the above business units depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Fixed wing \$000	Helicopters \$000	Other \$000	Total \$000
12 months ended 31 December 2020				
Recognised at a point in time	7,591	30,147	-	37,738
Recognised over time	148,994	24,096	-	173,090
Total revenue	156,585	54,243	-	210,828
12 months ended 31 December 2019				
Recognised at a point in time	18,234	40,895	-	59,129
Recognised over time	108,476	32,317	-	140,793
Total revenue	126,710	73,212	-	199,922

The Group has recognised liabilities in relation to contracts with customers, refer to note 20.



3 OPERATING EXPENSES

	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
Parts and material purchases	(28,724)	(43,750)
Labour and related expenses	(43,869)	(47,400)
Aircraft operating expenses	(17,270)	(8,152)
Other expenses	(21,972)	(11,872)
	(111,835)	(111,174)

4 OPERATING PROFIT

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

	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
Impairment loss on accounts receivable:		
• Written off as non recoverable	(5,202)	(251)
• (Increase)/decrease in provision for doubtful debts	(3,238)	46
	(8,440)	(205)
Inventory impairment provisions and write offs:		
• Stock adjustments and write offs	(311)	(637)
• (Increase)/decrease in provision for inventory impairment	(115)	(87)
	(426)	(724)
Gain/(loss) on sale of property, plant and equipment	(1,557)	(10)
Directors' fees	(346)	(317)

5 FINANCE INCOME AND EXPENSES

Financing costs

Financing costs are calculated using the effective interest rate method. 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.

	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
Interest income	1,200	322
Interest expense	(9,505)	(8,851)
Finance fees	(5,068)	(3,347)
	(13,373)	(11,876)
Represented in the Income Statement as follows:		
Finance income	1,200	322
Finance expenses	(14,573)	(12,198)
	(13,373)	(11,876)

At 31 December 2020, financing costs of \$2,808,000 were capitalised within fixed wing aircraft (Dec 2019: \$2,417,000).

6 OTHER GAINS AND LOSSES

	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
Net foreign exchange movement comprises:		
• Realised foreign exchange gains/(losses)	(1,430)	(696)
• Unrealised foreign exchange gains/(losses)	608	(57)
	(822)	(753)
Net change in fair value of derivative financial instruments:		



	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
• Derivatives measured at fair value through the Income Statement	-	-
	(822)	(753)

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

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 periods.

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 Group 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.

	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
Net profit before taxation	32,749	33,968
Prima facie taxation expense at 28%	(9,170)	(9,511)
Taxation effect of permanent differences:		
Tax rate differential related to non-New Zealand earnings	(22)	(8)
Capital gain on property, plant and equipment	(1,571)	1,273
Financial arrangements adjustment	2,555	
CFC and FIF adjustments	(58)	(55)
Equity accounted profits of associate and joint venture companies	476	600
Other non assessable revenues and non deductible expenses (net)	(1,421)	(97)
Movement in deferred tax resulting from property, plant and equipment held in foreign functional currencies	9,140	527
Adjustment for prior periods	-	(256)
Income tax expense	(71)	(7,527)
Represented by:		
Current tax	(10,362)	(5,078)
Deferred tax	10,291	(2,193)
Adjustment for prior periods	-	(256)
Income tax expense	(71)	(7,527)



	Dec 2020	Dec 2019
	\$000	\$000
Deferred tax asset (deductible temporary differences)	1,881	614
Deferred tax liability (assessable temporary differences)	(2,617)	(11,641)
Net deferred tax liability	(736)	(11,027)

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

	Dec 2020	Dec 2019
	\$000	\$000
Net deferred tax liability at the end of the prior year	(11,027)	(8,881)
Income Statement expense	10,291	(2,193)
Net foreign exchange movements	-	(20)
Adjustment for prior periods	-	67
Net deferred tax liability at end of year	(736)	(11,027)

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

	Dec 2020	Dec 2019
	\$000	\$000
Property, plant and equipment	(1,611)	(12,213)
Accounts payable	107	62
Inventory and work in progress	(1,945)	(511)
Provision for employee entitlements	1,534	1,565
Accounts receivable	1,137	99
Other items	42	(29)
Net deferred tax liability	(736)	(11,027)

8 CASH AND CASH EQUIVALENTS

	Dec 2020	Dec 2019
	\$000	\$000
Cash at bank and on hand	20,332	2,582
Aircraft reserves bank account	1,419	2,143
	21,751	4,725

Cash at bank earns interest at floating rates based on daily bank deposit rates. 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. The carrying amounts of cash and cash equivalents represent fair value.

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. The Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of accounts receivable.

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

	Dec 2020	Dec 2019
	\$000	\$000
Trade receivables	17,993	30,116
Provision for doubtful debts	(5,278)	(2,040)
	12,715	28,076
Other receivables	16,031	4,170
	28,746	29,348
Represented by:		
Current	21,857	30,541
Non current	6,889	2,898
	28,746	32,246



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.

	Dec 2020	Dec 2019
	\$000	\$000
Inventory: aircraft parts and components	34,196	28,841
Provision for inventory impairment	(1,562)	(1,447)
	32,634	27,394
Work in progress	15,163	16,977
	47,797	44,371

Trading inventories consist of aircraft held 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 replaced 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 items of property, plant and equipment are depreciated at rates which will write off their cost, less estimated residual value where applicable, over their expected useful lives. Depreciation commences from the date the asset enters service.

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
- Plant and Equipment: straight line basis over a period of up to 30 years, with an average of approximately 10 years

Capital work in progress is not depreciated.



	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 January 2019	8,582	411,292	113,130	15,060	16,188	564,252
Balance as at 31 December 2019	8,664	544,311	114,487	12,954	16,942	697,358
Additions	99	168,147	6,431	918	1,126	176,721
Disposals	-	(1,859)	(676)	-	(93)	(2,628)
Transfer (to)/from inventory, net	-	(10,624)	2,839	1,504	(432)	(6,713)
Net foreign exchange movements	-	(50,363)	21	(9)	16	(50,335)
Balance as at 31 December 2020	8,763	649,612	123,102	15,367	17,559	814,403
Accumulated Depreciation and Impairment:						
Balance as at 1 January 2019	(2,800)	(109,286)	(28,710)	(3,024)	(12,002)	(155,822)
Balance as at 31 December 2019	(3,118)	(98,246)	(27,785)	(3,199)	(12,847)	(145,195)
Disposals	-	306	676	-	89	1,071
Depreciation expense	(319)	(42,754)	(7,936)	(139)	(1,106)	(52,254)
Transfer to inventory, net	-	16,920	3,919	(46)	-	20,793
Net foreign exchange movements	-	8,163	(8)	-	(4)	8,151
Balance as at 31 December 2020	(3,437)	(115,611)	(31,134)	(3,384)	(13,868)	(167,434)
Net Book Value:						
As at 31 December 2019	5,546	446,065	86,702	9,755	4,095	552,163
As at 31 December 2020	5,326	534,001	91,968	11,983	3,691	646,969

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.

Certification costs

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 31 December 2019, 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.



	Certification Costs \$000	Computer Software \$000	Goodwill \$000	Total \$000
Cost:				
Balance as at 1 January 2019	3,857	1,973	600	6,430
Balance as at 31 December 2019	5,415	2,304	600	8,319
Additions	1,017	465	-	1,482
Balance as at 31 December 2020	6,432	2,769	600	9,801
Accumulated Amortisation:				
Balance as at 1 January 2019	(2,498)	(1,189)	-	(3,687)
Balance as at 31 December 2019	(2,880)	(1,439)	-	(4,319)
Amortisation expense	(452)	(310)	-	(762)
Balance as at 31 December 2020	(3,332)	(1,749)	-	(5,081)
Net Book Value:				
As at 31 December 2019	2,535	865	600	4,000
As at 31 December 2020	3,100	1,020	600	4,720

13 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE COMPANIES

	Dec 2020 \$000	Dec 2019 \$000
Shares in associate and joint venture companies, at cost	4,546	4,546
Equity accounted earnings of associate and joint venture companies	3,471	2,485
Net equity investment in associate and joint venture companies	8,017	7,031
Advance to associate company	7,123	4,658
	15,140	11,689

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

	Classification	Principal Activity	Dec 2020 % shares	Dec 2019 % shares
Olympus Airways S.A	Associate	Aviation charter company	-%	-%
Allway Logistics Ltd	Joint Venture	Helicopter leasing company	50%	50%
Parcelair Ltd	Joint Venture	Aviation services company	50%	50%

Parcelair Limited is incorporated in New Zealand and has a balance date of 30 June. Allway Logistics Limited is incorporated in Hong Kong and has a balance date of 31 December. Olympus Airways S.A. is incorporated in Greece 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 \$31,915,000 (Dec 2019: \$19,357,000). Purchases were made of \$3,834,000 (Dec 2019: \$nil). Dividends of \$1,441,000 were received from associates and joint venture companies (Dec 2019: \$1,471,000). At balance date the Group held net accounts receivable of \$5,260,000 (Dec 2019: \$3,366,000), accounts payable of \$928,000 (Dec 2019: \$nil), other liabilities of \$1,795,000 (Dec 2019: \$2,435,000), other assets of \$4,733,000 (Dec 2019: \$nil) and a convertible note, maturing November 2024 at an arms-length interest rate for a note of this nature, of \$7,123,000 (Dec 2019: 4,658,000) with associate and joint venture companies. The doubtful debt provision included an amount of \$2,670,000 against related party receivable balances as at 31 December 2020.

The associate and joint venture companies did not have any contingent liabilities or capital commitments at balance date (Dec 2019: nil).



14 INVESTMENTS IN SUBSIDIARY COMPANIES

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

	Principal Activity	Country of Incorporation	Dec 2020 % effective interest	Dec 2019 % effective interest
Subsidiaries and in substance subsidiaries				
AFO Aircraft (Aus) Pty Limited	Aviation	Australia	100%	100%
AFO Aircraft (NZ) Limited	Aviation	New Zealand	100%	100%
AFO Aircraft (RUS) Limited	Non trading	New Zealand	100%	100%
Air Crane Bolivia S.R.L.	Aviation	Bolivia	100%	100%
Airwork Ireland Limited	Aviation	Ireland	100%	100%
Airwork (Europe) Limited	Aviation	New Zealand	100%	100%
Airwork (NZ) Limited	Aviation	New Zealand	100%	100%
Airwork Africa Pty Limited	Aviation	South Africa	100%	100%
Airwork Fixed Wing Limited	Aviation	New Zealand	100%	100%
Airwork Flight Operations Limited	Aviation	New Zealand	100%	100%
Airwork Flight Operations Pty Limited	Aviation	Australia	100%	100%
Airwork Heli Engineering Pty Limited	Aviation	Australia	100%	100%
Airwork Heli Services (Canada) Limited	Aviation	Canada	100%	100%
Airwork Personnel Pty Limited	Personnel services	Australia	100%	100%
Airwork (USA) LLC	Personnel services	USA	100%	100%
Airwork (USA) Limited	Non trading	New Zealand	100%	100%
Baxolex Pty Limited	Non trading	South Africa	100%	100%
Capital Aviation Investments Limited	Non trading	New Zealand	100%	100%
Contract Aviation Industries Limited	Aviation	New Zealand	100%	100%
Heli Holdings Limited	Aviation	New Zealand	100%	100%
Heli Holdings Pty Limited	Aviation	Australia	100%	100%
Helibip Pty Limited	Non trading	South Africa	100%	100%
Helilink Limited	Aviation	New Zealand	100%	100%

All subsidiary companies have a balance date of 31 December.

15 OTHER ASSETS

Other assets are classified as current assets where the Group 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.

	Dec 2020 \$000	Dec 2019 \$000
Other assets comprise:		
Prepayments	2,387	2,333
Refundable deposits	900	1,485
	3,287	3,818
Represented by:		
Current	3,287	3,818
Non current	-	-
	3,287	3,818

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.



	Dec 2020 \$000	Dec 2019 \$000
Loans comprise:		
Multi-currency cash advances facility (secured)	419,671	339,463
Capitalised loan establishment costs	(1,184)	(722)
Subordinated debt	-	-
	418,487	338,741
Represented by:		
Current	54,255	28,765
Non current	364,232	309,976
	418,487	338,741

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 period 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 not discounted.

	Dec 2020 \$000	Dec 2019 \$000
Trade creditors	18,066	4,286
Accrued interest payable	317	190
Other accruals	3,534	3,103
	21,917	7,579

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



	Dec 2020 \$000	Dec 2019 \$000
Vested entitlements:		
• Salaries and wages	1,282	1,773
• Annual leave	4,659	3,912
• Long service leave	443	359
	6,384	6,044
Unvested entitlements:		
• Long service leave	570	484
	6,954	6,528
Represented by:		
Current	6,384	6,044
Non current	570	484
	6,954	6,528

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.

For all hedges the quantity of the hedging instrument match the quantity of the hedged items, resulting in hedge ratios being 1:1. A movement in value of the hedged item due the movement of the applicable rate will have the opposite impact on the value of the hedging instrument, confirming that an economic relationship exists between the two.

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.

The fair value of derivative financial instruments are determined by reference to the market values for similar products of similar maturity (assessed as being level 2 inputs).

- 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 (e.g. 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 (e.g. 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 as 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.

	Dec 2020 \$000	Dec 2019 \$000
Cash flow hedge financial instruments		
Interest rate contract assets	117	277
Interest rate contract liabilities	(14,923)	(6,638)
Foreign exchange contract assets	1,477	354
Foreign exchange contract liabilities	(1)	(4)
	(13,330)	(6,011)
Represented by:		
Current asset	1,256	218
Non current asset	338	413
Current liability	(192)	(8)
Non current liability	(14,732)	(6,634)
	(13,330)	(6,011)

Interest rate contracts

The Group has entered into interest rate swaps and collars to mitigate interest rate risk relating to loans. Interest rate contracts hedge highly probable cash flows associated with interest costs on borrowings and convert floating rate positions into fixed rate positions.

Foreign exchange rate contracts

Airwork is regularly exposed to material foreign exchange risks through its core operations. While the company is a New Zealand Dollar denominated entity, there are assets and operations that are held or conducted in foreign currencies. The Group has entered into forward exchange rate 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.

As all critical terms matched at balance date the Group has assessed no ineffectiveness to be recorded from cash flow hedges.

20 OTHER LIABILITIES

Contract liabilities are recognised in relation to long term maintenance service revenue at the earlier of payment being made or due, to the extent that the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer.

	Dec 2020 \$000	Dec 2019 \$000
Deferred income and customer prepayments	4,780	3,210
Security deposits	11,514	11,147
Contract liabilities	1,698	2,644
Other liabilities	7,437	3,071
	25,429	20,072
Represented by		
Current	13,290	7,242
Non current	12,139	12,830
	25,429	20,072

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 directly related to the issue of new share capital are recognised in equity as a reduction of the share proceeds received.

	No. of shares on issue	\$000
Authorised, issued and fully paid share capital		
Balance as at 31 December 2020 and 2019	84,076,949	118,813

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



22 DIVIDENDS

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

	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
Dividend paid to the shareholders	-	5,000
	-	5,000

23 LEASES

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

As a lessee

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at the amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

The Group has elected not to recognise right of use assets and lease liabilities for leases with a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies NZ IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term.

	Property \$000	Total \$000
Right of use assets		
Cost:		
Balance as at 1 January 2019	2,778	2,778
Balance as at 31 December 2019	3,702	3,702
Additions	205	205
Net foreign exchange movements	11	11
Balance as at 31 December 2020	3,918	3,918
Accumulated depreciation:		
Balance as at 1 January 2019	-	-
Balance as at 31 December 2019	(471)	(471)
Depreciation expense	(722)	(722)
Net foreign exchange movements	(1)	(1)
Balance as at 31 December 2020	(1,194)	(1,194)



Net book value:		
At 31 December 2019	3,231	3,231
At 31 December 2020	2,724	2,724

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 24 years. The Group has the following commitments as lessee under non cancellable operating lease agreements:

	Dec 2020	Dec 2019
Maturity analysis - contractual undiscounted cash flows		
Not later than one year	\$000	\$000
Later than one year but not later than two years	886	759
Later than two years but not later than five years	719	608
After five years	820	929
	3,407	3,069
	5,832	5,365
Lease liabilities included in the Balance Sheet		
Current	\$000	\$000
Non current	798	825
	2,045	2,462
	2,843	3,287
Amounts recognised in Income Statement		
Interest on lease liability	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
	279	248
Expense relating to short-term leases and low value assets	703	771
	982	1,019
Amounts recognised in Cash Flow Statement		
Total outflow for leases	12 months Dec 2020	12 months Dec 2019
	\$000	\$000
	(1,187)	(1,457)
	(1,187)	(1,457)

The Group as lessor

The Group has established the following rights to receive payments as lessor under non-cancellable operating lease agreements:

	Dec 2020	Dec 2019
Not later than one year	\$000	\$000
Later than one year but not later than two years	75,322	86,326
Later than two years but not later than five years	56,841	86,193
After five years	95,621	144,987
	68,970	96,280
	296,754	413,786

24 CAPITAL COMMITMENTS

At 31 December 2020, the Group had capital commitments related to aircraft and inventory purchases totalling \$6,329,000 (Dec 2019: \$20,027,000), of which \$6,329,000 is expected to be incurred in the year ending 31 December 2021 (Dec 2019: \$18,007,000).

25 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.

Global jurisdictions



As stated in Note 1, the Group conducts its operations in numerous jurisdictions. Judgements are required about the application of legislative requirements in relation to matters such as operations, employment, environmental, tax and other compliance obligations specific to each of those jurisdictions. Those judgements and assumptions are subject to risk and uncertainty, which may ultimately impact the expenditure payable by the Group. The extent of contingent liabilities incurred in relation to the Group's global operations in foreign jurisdictions (if any) 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 \$1,282,000 at 31 December 2020 (Dec 2019: \$1,663,000).

Letters of credit and performance bonds

The Group has issued letters of credit and performance bonds of \$138,000 (Dec 2019: \$136,000). 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.

26 RELATED PARTY DISCLOSURES

The parent 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	12 months	12 months
		Dec 2020	Dec 2019
		Value of transactions received or receivable / (paid) or (payable)	Value of transactions received or receivable / (paid) or (payable)
		\$000	\$000
Rifa Holding Group (Hong Kong) Company Limited	• Subordinated debt	-	-
	• Interest on subordinated debt	-	(83)
Key management personnel			
Key management personnel compensation	• Short term employee benefits	(3,987)	(3,252)

27 SUBSEQUENT EVENTS

The Group has agreed funding from its shareholder, in the form of subordinated debt of up to US\$30m. The first US\$10m tranche of this facility was drawn down in February 2021.

In March 2021, an agreement was signed between the Group and a related party to amend the timing of an accounts receivable settlement and vary the terms of various leases and aircraft subject to them.

There have been no other material events subsequent to 31 December 2020.





Independent Auditor's Report

To the shareholder of Airwork Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Airwork Holdings Limited (the 'company') and its subsidiaries (the 'group') on pages 2 to 25:

- i. present fairly in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

- the balance sheet as at 31 December 2020;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent 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 shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.



KPMG
Auckland

29 April 2021